THE (BOUNDEDLY) RATIONAL BASIS OF TRADEMARK LIABILITY:

RECONCILING THE FEDERAL TRADEMARK DILUTION ACT
AND THE LANHAM ACT

by

Jeremy N. Sheff[1]

[1] Associate, Cravath, Swaine & Moore, LLP, New York. B.A., Columbia University, 1999. J.D., Harvard Law School, 2002. The views expressed in this Article are the author's alone and do not necessarily reflect the position of Cravath, Swaine & Moore, LLP or any of its clients. Special thanks to Professor Barton Beebe for his insightful comments and generous encouragement.

THE (BOUNDEDLY) RATIONAL BASIS OF TRADEMARK LIABILITY:

RECONCILING THE FEDERAL TRADEMARK DILUTION ACT AND THE LANHAM ACT

ABSTRACT: *The confusion that has accompanied the effort to graft a dilution remedy onto federal trademark law has sown deep uncertainty about the remedy's proper scope and purpose. This confusion is an outgrowth of the peculiar history of dilution theory in the development of trademark law, and the resulting tension between uniqueness-based theories of dilution and theories based on free-riding concerns. This Article takes the position that the current conceptual framework for trademark liability is misguided. By focusing its analysis on consumer beliefs about the relationship between a mark and a manufacturer, current trademark doctrine is ignoring a far more persuasive justification for the imposition of liability: debiasing. This Article argues that trademark liability is best understood as a legal regime designed to harness the efficiencies of boundedly rational consumer decisionmaking, while minimizing the effects of resulting biases and errors. An overview of trademark cases reveals that while courts say they are analyzing consumer beliefs about the mark/maker nexus, they in fact rely on a limited set of proxy measurements that have little to do with those beliefs. Instead, the proxy factors appear to represent features of the marketplace with strong potential to trigger cognitive phenomena that can generate bias and error. Understanding these phenomena and using them as a guide to set the boundaries of liability provides a more coherent and persuasive justification for the trademark regime than current competing rationales, and offers a potential solution to the long-standing debate between free-riding and uniqueness theories of dilution that would harmonize those theories with infringement policy.*

Introduction

> *The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them.*[2]

Federal trademark law stands at a crossroads. In the case of *Moseley v. V Secret Catalogue, Inc.*,[3] the Supreme Court cast the vitality of the Federal Trademark Dilution Act of 1995[4] ("FTDA"), and with it the bifurcated structure of the federal trademark regime, into serious doubt. Since that decision was handed down, courts and commentators have debated exactly what trademark dilution is and how it differs from trademark infringement,[5] practitioners have struggled to advise their clients as to the availability and merits of federal dilution claims,[6] and Congress has come to the brink of passing a statute specifically to overturn the Court's

---

[2] *Mishawaka Rubber & Woolen Co. v. S.S. Kresge Co.*, 316 U.S. 203, 204 (1942) (Frankfurter, J.).

[3] 537 U.S. 418 (2003).

[4] Pub. L. No. 104-98, 109 Stat. 985 (1996).

[5] *See generally, e.g.*, Barton Beebe et al., *Trademark Dilution:* Moseley *and Beyond*, 14 Fordham Intell. Prop. Media & Ent. L.J. 849 (2004) (discussing the rippling effects of *Moseley* on trademark law); *see also id.* at 863 ("Because there has kind of been a blurring, if you'll pardon the term, between the infringement and unfair competition portions of the statute and the dilution sections of the statute, it really has left the law as [a] kind of mishmash, where people don't really know where they stand.").

[6] *See* J. Thomas McCarthy, *Dilution of a Trademark: European and United States Law Compared*, 94 TRADEMARK REP. 1163, 1167 (2004) ("Judges and attorneys are unclear as to exactly what 'dilution' is and how to prove it. Consistency and predictability are hard to find. Giving legal advice about the federal anti-dilution law is a high risk endeavor.").

decision.[7] Much of this disarray stems from formalist doctrinal architecture that has been handed down over the past 135 years of developments in American trademark law. For generations judges, legislators, and scholars have attempted to fit the square peg of trademark law into the round holes of either property law or unfair competition law, often at the expense of the real issues at stake in trademark regimes. It is the position of this Article that trademark infringement and trademark dilution should not be understood as distinct species of harms to a particular type of property right, nor even as subsets of the law of unfair competition, but rather as related and overlapping categories of consumer responses to a single type of undesirable commercial behavior.

The "likelihood of confusion" standard of the Lanham Act[8] has long been used to apply liability for trademark infringement under the rubric of unfair competition. This standard is unhelpful, however, in analyzing dilution, which explicitly rejects the Lanham Act's "likelihood of confusion" standard, and does not require any actual or potential competition as a prerequisite to liability. The juxtaposition of this doctrinal incompatibility with American trademark law's historical conceptual aversion to property rights has grossly complicated any coherent integration of dilution into the federal trademark regime. Though the tools of doctrinal development have to date been unhelpful in providing a coherent theory of dilution within the broader law of trademarks, the insights of cognitive psychology—which have already been

---

[7] *See* Trademark Dilution Revision Act of 2005 ("TDRA"), H.R. 683, 109th Cong. (2005). A version of the TDRA was passed by the House on April 19, 2005, *see* 151 CONG. REC. H2121-23 [daily ed. April 19, 2005], and a substituted version passed the Senate on March 8, 2006, *see* 152 CONG. REC. S1921-23 [daily ed. March 8, 2006].

[8] Trademark Act of 1946 [*hereinafter* "Lanham Act"], Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1129 (2005)).

brought to bear in other areas of legal analysis under the aegis of "behavioralism"[9]—provide an elegant and robust framework for the analysis of all varieties of trademark cases.

Writ large, behavioralism posits that human beings are not perfectly rational actors in the model of classical economics, but rather that we exhibit what has been termed "bounded rationality." In particular, numerous studies have documented that we tend to arrive at decisions by means of heuristics: mental short-cuts that generate factual or probabilistic judgments in the face of limited information, time, and resources.[10] While many heuristics are often relatively accurate, and therefore useful, some heuristics constitute persistent cognitive biases that can generate persistent errors. This Article argues that infringement and dilution are best understood as commercial behaviors that manipulate the cognitive biases of consumers, and as such threaten to render their heuristic judgments persistently inaccurate. In this view, trademark liability—whether imposed under the label of infringement or dilution—is not designed to protect property rights of trademark owners, nor to protect them against the unfair trade practices of competitors, but to shape consumer markets in such a way as to conform to the innate cognitive processes of boundedly rational consumers. The trademark regime can then be understood as a legal apparatus designed to accommodate and even harness non-rational human thought processes, rather than suppress or eradicate them. The judicial outcomes of such a regime may be essentially indistinguishable from those of a system of property rights, but it will

[9] *See generally* BEHAVIORAL LAW & ECONOMICS (Cass Sunstein ed., 2000).

[10] The original authoritative collection of research in this field is JUDGMENT UNDER UNCERTAINTY: HEURISTICS AND BIASES (Daniel Kahneman, Paul Slovic, & Amos Tversky eds., 1982). A new volume was recently published expanding on the work in the 1982 collection. HEURISTICS AND BIASES: THE PSYCHOLOGY OF INTUITIVE JUDGMENT (Thomas Gilovich, Dale Griffin, & Daniel Kahneman eds., 2002).

become clear that this resemblance is more a function of the mechanics of systemic market regulation than of any proprietary interest created under the law.

Part I of this Article outlines the theoretical and doctrinal antagonism between the doctrines of trademark dilution and traditional trademark infringement, with an eye to the features of each that have historically kept them distinct from one another. Part II dissects the various species of trademark liability that have developed under this bifurcated trademark regime. Part III applies the theoretical and empirical insights of cognitive psychology to the elements of trademark doctrine outlined in Part II. Part IV collects these insights into a cohesive theoretical framework for all species of trademark liability, and closes with some practical concerns surrounding the adoption of this framework, anticipating objections grounded in constitutional doctrine and public policy, and suggesting future roles for Congress, the courts, and the trademark bar.[11]

[11] The arguments and claims of this Article are theoretical rather than empirical in nature. Nevertheless, the arguments presented here are reasoned by analogy from empirical work in cognitive psychology, and it is anticipated that targeted empirical testing would confirm them. Such testing, however, is beyond the scope of the present undertaking and awaits further development.

I. Schechter's Legacy

In 1927 a New York lawyer by the name of Frank Schechter, then trademark counsel to the BVD company,[12] published an article in the Harvard Law Review lamenting the rigidity and formalism of federal trademark doctrine.[13] At the time, federal trademark protection was limited to the remedies provided in the patchwork of half-measures Congress had enacted since 1881.[14] For over fifty years federal trademark law had been developing step by timid step within the strict boundaries of the Supreme Court's 1879 ruling in the *Trade-Mark Cases*,[15] which seemed to have been crafted to keep Congress out of the trademark area altogether.[16] In

---

[12] Beebe et al., *supra* note 5, at 853.

[13] Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

[14] *See, e.g.*, Act of March 3, 1881, ch.138, 21 Stat. 502; Trademark Act of 1905, Pub. L. No. 58-84, 33 Stat. 724; Act of May 4, 1906, Pub. L. No. 59-146, 34 Stat. 168; Act of March 2, 1907, Pub. L. No. 59-232, 34 Stat. 1251; Act of Feb. 18, 1911, Pub. L. No. 61-388, 36 Stat. 918; Act of Jan. 8, 1913, Pub. L. No. 62-347, 37 Stat. 649; Act of March 19, 1920, Pub. L. No. 66-163, 41 Stat. 533; Act of June 7, 1924, Pub. L. No. 68-263, 43 Stat. 647; Act of March 4, 1925, Pub. L. No. 68-610, 43 Stat. 1268. A leading commentator has described the state of trademark law in the period between the *Trade-Mark Cases* and the enactment of the Lanham Act as "a crazy quilt of modifications and amendments." 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:3, p. 5-9 (2004).

[15] 100 U.S. 82 (1879).

[16] The Court seemed convinced that the states offered ample protection for trademarks, and that Congress's foray into the arena was superfluous:

> The right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of use by all other persons, has been long recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States. It is a property right for the violation of which damages may be recovered in an action at law, and the continued violation of it will be enjoined by a court of equity, with compensation for past infringement. This exclusive right was not created by the act of Congress, and does not now depend upon it for its enforcement. The whole system of trade-mark property and the civil remedies for

that ruling, the Court struck down the first federal trademark statute[17] as unconstitutional.[18] The Court held that Congress had no authority under the Patent and Copyright Clause[19] to confer property rights in trademarks.[20] It further held that because the Act of 1870 made no distinction between interstate or foreign commerce on the one hand, and intrastate commerce on the other,[21] Congress had overstepped its bounds under the Commerce power.[22] Moreover, the Court expressed in dicta considerable hostility to the idea that trademarks were within the scope of the Commerce power at all.[23]

The legacy of the *Trade-Mark Cases*—in particular of its holding under the Patent and Copyright Clause—was to instill in federal trademark doctrine a crippling aversion to anything that resembled a property right. Even after the infirmities of the 1870 Act had been

---

> its protection existed long anterior to that act, and have remained in full force since its passage.

Id. at 92.

[17] Act of July 8, 1870, ch. 230, 16 Stat. 198, §§ 77-84.

[18] *Trade-Mark Cases*, 100 U.S. at 99.

[19] U.S. CONST. Art. I, § 8, cl. 8.

[20] *Trade-Mark Cases*, 100 U.S. at 93-94 ("Any attempt, however, to identify the essential characteristics of a trade-mark with inventions and discoveries in the arts and sciences, or with the writings of authors, will show that the effort is surrounded with insurmountable difficulties. The ordinary trade-mark has no necessary relation to invention or discovery.").

[21] The Court blithely assumed that "trade or traffic between citizens of the same State" constituted "perhaps the largest" share of the commerce regulated by the Act. *Id.* at 96.

[22] *See id.* at 96-99.

[23] *Id.* at 95 ("Every species of property which is the subject of commerce, or which is used or even essential in commerce, is not brought by this [Commerce] clause within the control of Congress.").

ameliorated,[24] the Supreme Court continued to warn that "[t]here is no such thing as property in a trade-mark *except* as a right appurtenant to an established business or trade in connection with which the mark is employed."[25] The trademark was no more than an indication of a product's connection to its manufacturer, and the trademark right was accordingly understood as quasi-proprietary: it differed from rights "in gross or at large, like a statutory copyright or a patent for an invention", in that it "grows out of its use".[26] In practical terms, this distinction meant that a trademark could only be enforced in the geographic and commercial sphere within which it was actually used by its owner to indicate a product's source. For example, in the case from which the quotations in this paragraph are taken, the Supreme Court rejected a claim of infringement by a manufacturer of medicinal preparations under the name "Regis" in New England against a manufacturer of medicinal preparations under the same name in Kentucky, on grounds that the two markets were "separate and remote from each other, so that the mark means one thing in one market, an entirely different thing in another."[27] Similarly, the federal statute in place at the time only imposed liability for the use of trademarks on goods of "substantially the same descriptive properties" as those of the trademark owner—in other words, goods that directly competed with

[24] The next attempt at a federal trademark statute was limited to "trade-marks used in commerce with foreign nations, or with the Indian tribes." Act of March 3, 1881, ch. 138, § 1, 21 Stat. 502, 502. Marks used in commerce "among the several States" were brought under the federal trademark regime in 1905. Act of Feb. 20, 1905, Pub. L. No. 58-84, § 1, 33 Stat. 724, 724.

[25] *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (emphasis added).

[26] *Id.*

[27] *Id.* at 100.

those of the trademark owner.[28] The prevailing justification offered by the courts for these doctrines could charitably be described as sophistry: "there can be no unfair competition where there is no competition at all."[29]

Such was the state of the law when Mr. Schechter penned his famous article. His basic premise was that the historical function of trademarks embodied in Anglo-American law—identifying the origin or ownership of goods—was an obsolete relic of a localized mode of commerce driven by craftsmen, guilds, and individual merchants.[30] Schechter argued that in a complex modern economy where the manufacturers of goods were often unknown to the purchasers of those goods, "[t]he true functions of the trademark are… to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public."[31] In the commercial reality of the impersonal marketplace, he argued, trademarks served not merely to

[28] Trademark Act of 1905, Pub. L. No. 58-84, § 16, 33 Stat. 724, 728. This principle was reinforced by the Supreme Court, which cited with approval the English rule that trademarks were only enforceable within the class of goods on which they were used by a plaintiff: "If he does not carry on a trade in iron, but carries on a trade in linen, and stamps a lion on his linen, another person may stamp a lion on iron." *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 414 (1916), *quoting Ainsworth v. Walmsley*, 1 L.R.Eq. 518, 524 (1866). While the American preoccupation with property rights in trademarks stemmed from the strictures of the Patent and Copyright Clause, the British rule was based on the early view, long since abandoned, that proprietary rights in trademarks were monopolistic and therefore bad policy. *See Blanchard v. Hill*, 2 Atk. 484 (1742), 26 Eng. Rep. 692 (denying an injunction against alleged trademark piracy on grounds that to do so would grant monopolistic rights); *see also* Norma Dawson, *English Trade Mark Law in the Eighteenth Century*, 24 J. LEGAL HIST. 111 (2003) (exploring the historical background of the *Blanchard* case).

[29] Edward C. Lukens, *Application of the Principles of Unfair Competition to Cases of Dissimilar Products*, 75 U. PENN. L. REV. 197, 198 & n.4 (1927) (citing cases).

[30] Schechter, *supra* note 13, at 814 ("Four hundred years ago a trademark indicated either the origin or ownership of the goods to which it was affixed. To what extent does the trademark of today really function as either? Actually, not in the least!").

[31] *Id.* at 818.

symbolize the goodwill of their owners in the mind of consumers, but as a vehicle for building and storing such goodwill.[32]

Schechter believed that the framing of trademark doctrine under the rubric of unfair competition—and specifically of the doctrine of "passing off"[33]—inadequately protected this important function of trademarks, and he traced the law's shortcoming specifically to the two features of trademark law outlined above: the resistance to trademark rights that resembled property rights "in gross" rather than "of use", and the concomitant limitation of trademark liability to competing goods within a geographically-defined market.[34] Yet rather than directly challenge the federal courts' hostility to full property rights in trademarks, Schechter proposed an alternative theory of trademark liability derived from German law: dilution.[35] Schechter's theory of dilution rested on the premise that the ability of a trademark to serve as a vehicle for creating and perpetuating goodwill depends on its "uniqueness," and that multiple unrelated uses of an unusual or distinctive mark will prevent that mark from developing a strong, unique hold on the public consciousness.[36] This theory would give the first user of a particularly unique or distinctive mark the right to enforce her mark broadly—not merely within the geographic

[32] *Id.* at 818-19 ("[T]oday the trademark is not merely the symbol of good will but often the most effective agent for the creation of good will, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfactions.").

[33] *Id.* at 820 (noting that the law of England and the United States aimed "simply to prevent the deceitful sale or passing off of goods made by one person or firm for goods made by another."), *quoting* Myron W. Watkins, *The Change in Trust Policy*, 35 HARV. L. REV. 815, 831 (1922).

[34] Schechter, *supra* note 13, at 821-24.

[35] *Id.* at 831-33.

[36] *Id.* at 824-26.

markets in which she operated, but also in neighboring regions; not merely against competing products, but also against sellers of non-competing goods—all on the theory that any interference with her efforts to build and retain the association of goodwill with her trademark threatens gradually to weaken that association, thereby reducing her incentive to cultivate such goodwill.[37]

Built into Schechter's new theory of trademark law is a tension that was uniquely a product of the legal regime of Schechter's era, yet one that continues to influence trademark doctrine to this day. Schechter was proposing a remedy for an injury that courts of the time had considered but refused to redress: the harm to a trademark owner caused by a second comer's use of the mark on non-competing goods. In order to support the new remedy without running afoul of contemporary doctrine that limited trademark rights to the commercial sphere of their actual use, Schechter was forced to invent an alternative injury arising from the same conduct he sought a legal remedy against. To that end, he advanced a slippery-slope argument concerning an incidental effect of unauthorized use on the trademark owner—the potential but as-yet-unrealized cumulative effect of repeated unauthorized use of the owner's mark on non-competing goods—rather than the more obvious direct effect of unauthorized use of trademarks on non-competing goods—the invocation of consumer goodwill associated with the mark. Schechter used this somewhat misleading technique despite the fact that the unauthorized invocation of goodwill, rather than its potential long-term erosion, appeared to be his primary concern.[38] The result of this theoretical shell game is a bifurcation of the concept of dilution into

[37] *Id.* at 825-33.

[38] *See* Schechter, *supra* note 13, at 825 (alluding to the the "subtle[ty] and refine[ment]" of "[t]rademark pirates" who "proceed circumspectly, by suggestion and approximation, rather than by direct and exact duplication of their victims' wares and marks.").

two separate and somewhat antagonistic theories. The first theory focuses on the level of "uniqueness" of the owner's mark, regardless of any benefit a second comer might derive from its use. I will refer to this theory as the "uniqueness theory" of trademark liability. The second theory focuses on a second comer's unauthorized invocation of the goodwill associated with the mark, regardless of the immediate effect on the trademark owner. I will call this the "free-riding theory" of trademark liability. Whether the dilution remedy is properly directed at the trademark owner's injury (the uniqueness theory) or the second comer's benefit (the free-riding theory) is a debate that continues to this day, as will be seen below.[39]

Regardless of the true justification for his proposed remedy, Schechter's call for a radical reconceptiualization of trademark law received a cool reception among federal authorities. As Schechter had noted in his own article,[40] the "same descriptive qualities" requirement under the 1905 Act was already being liberalized, and the process continued without any radical statutory or doctrinal innovations.[41] Not until the advent of the revolution in Commerce Clause jurisprudence ushered in by *West Coast Hotel v. Parrish*[42] was there any serious reformulation of federal trademark law, and even that left dilution squarely out of the

[39] *See infra* notes 58-60,112-114 and accompanying text.

[40] *See id.* at 823-24.

[41] *Compare Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (Hand, J.) ("[A] merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court."), *with Aunt Jemima Mills Co. v. Rigney*, 247 F. 407 (2d Cir. 1917) (finding infringement of a trademark used on syrup in use of the same mark on related products such as pancake batter).

[42] 300 U.S. 379 (1937).

picture. A few years after *West Coast Hotel* was decided the Lanham Act was passed,[43] laying the groundwork for the next half-century of American trademark law. Rather than broadly rethinking the nature and function of trademarks, as Schechter suggested, the new statute set off a gradual expansion of liability within the historical traditions of Anglo-American trademark doctrine. For example, Section 32 of the Lanham Act—which defines infringement of registered trademarks—eliminated the "same descriptive properties" requirement in favor of a flexible standard for determining infringement that is still largely with us: whether an allegedly infringing use is "likely to cause confusion, or to cause mistake, or to deceive purchasers as to the source of origin of…goods."[44] A later amendment removed the explicit reference to "source of origin" from this provision,[45] further loosening but not quite casting off the historical tether on federal trademark law that Schechter had lambasted as an archaism.[46] Meanwhile, judicial interpretation of Section 43(a) of the Lanham Act—which by its terms originally prohibited only "false designations of origin"[47] but over time became the primary vehicle for enforcing unregistered trademarks, service marks, and trade dress—broadened the scope of the confusion

---

[43] The Lanham Act was introduced by Congressman Lanham the year after *West Coast Hotel* was decided, but the pressures of war and the vagaries of the legislative process prevented its enactment until 1946. For narrative histories of the formulation and promulgation of the Lanham Act, see Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 L. & CONTEMP. PROBS. 173, 177-181; and 1 MCCARTHY, *supra* note 14, at § 5:4, pp. 5-10 to 5-13.

[44] Lanham Act, Pub. L. No. 79-489 § 32, 60 Stat. 427 (codified as amended at 15 U.S.C. § 1114).

[45] Act of October 9, 1962, Pub. L. No. 87-772, 76 Stat. 769.

[46] *See supra* note 30 and accompanying text.

[47] Lanham Act, Pub. L. No. 79-489 § 43(a), 60 Stat. 427 (codified as amended at 15 U.S.C. § 1125(a)).

inquiry, and a 1988 amendment to Section 43(a) essentially codified these judicial innovations, prohibiting the commercial use of any mark that

> is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.[48]

Taken together these amendments expanded upon, but never discarded, the Anglo-American common-law tradition of treating trademarks as designators of source or origin. The Lanham Act continues to directly address the consumer's perception of the information a mark conveys about the relationship between the mark's owner and the product bearing the mark; the universe of relevant relationships has simply expanded. The result has been liberalization of some of the more arbitrary doctrines Schechter disdained. For example, the "same descriptive properties" rule that emanated from the antipathy to trademark rights "in gross," already weakened in cases such as *Yale* and *Aunt Jemima*,[49] gave way under the Lanham Act to a self-consciously flexible standard that extends trademark infringement liability to "related goods" on a case-by-case basis.[50] Thus, for nearly fifty years federal trademark law gradually broadened the scope of liability to encompass much—but not all—of the conduct

---

[48] Trademark Law Revision Act of 1988 (TLRA), Pub. L. No. 100-667, 102 Stat. 3935 (codified as amended at 15 U.S.C. § 1125(a)). Commentators have noted that the TLRA's amendment of Section 43(a) of the Lanham Act was made "in large part to codify the case law interpretation of the previous version of §43(a)." 1 MCCARTHY, *supra* note 14, at § 5:9(5), page 5-17; *accord* Marie V. Driscoll, *The "New" 43(a)*, 79 TRADEMARK REPORTER 238, 239 (1989).

[49] *See supra* note 41.

[50] *See* 4 MCCARTHY, *supra* note 14, at §§ 24:5-24:6, pages 24-11 to 24-16. Cases illustrating this feature of Lanham Act jurisprudence are discussed in Section II.A, *infra*.

Schechter had complained of, without abandoning the conceptual framework inherited from the previous century of doctrinal development.

In the face of federal complacency, a few states supplemented the federal regime with their own dilution statutes. Massachusetts became the first state to enact a dilution statute along the lines suggested in Schechter's article in 1947.[51] The trademark bar promoted this trend with a model state trademark statute that included a section on dilution.[52] Nevertheless, by 1995 only about half the states had enacted any kind of dilution statute.[53] That year, Congress finally responded to the pleas of the trademark plaintiffs bar for a federal dilution statute, and enacted the FTDA. The main provision of the FTDA reads as follows:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.[54]

The definition of dilution offered by the statute bears the unmistakable stamp of Schechter's influence:

> The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—

[51] 1947 Mass. Acts 300.

[52] MODEL STATE TRADEMARK BILL § 12 (1964); MODEL STATE TRADEMARK BILL § 13 (1992).

[53] *See* H.R. REP. NO. 104-374, at 3 (1995).

[54] FTDA, Pub. L. No. 104-98, sec. 3, § (c)(1), 109 Stat. 985, 985 (1996), codified at 15 U.S.C. § 1125(c)(1) (2005).

> (1) competition between the owner of the famous mark and other parties, or
>
> (2) likelihood of confusion, mistake, or deception.[55]

The reference to "lessening the capacity of a *famous* mark to identify and distinguish goods or services"[56] echoes Schechter's concern for the trademark owner's investment and interest in a strong mark: "The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used."[57] More importantly, the FTDA's provision for relief "regardless of the presence or absence of competition between the owner of the famous mark and other parties" embraces—even more completely than the "related products" standard[58]—Schechter's call for a remedy against unauthorized use of a mark "upon *non-competing* goods."[59] In short, the text of the FTDA nearly perfectly embodies the uniqueness theory of dilution. The legislative history of the statute, however, suggests that the lawmakers who crafted it were more swayed by the free-riding theory of dilution, as the committee report stated: "The concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who

[55] FTDA, Pub. L. No. 104-98, § 4, 109 Stat. 985, 986 (1996), codified at 15 U.S.C. § 1127 (2005).

[56] *Id.* (emphasis added).

[57] Schechter, *supra* note 13, at 825.

[58] *See supra* note 50 and accompanying text.

[59] *Id.* (emphasis added).

would appropriate the mark for their own gain."[60] Thus, in adopting Schechter's remedy, Congress fell victim to the contradiction inherent in its underlying justification, even though the doctrines that gave rise to that contradiction had been moribund for decades. Nor did the FTDA revisit the theoretical underpinnings of all trademark law as Schechter had attempted; it simply grafts the dilution remedy on to the corpus of traditional trademark law embodied in the Lanham Act, while leaving that law intact.

This tenuous parallel system of trademark remedies is the result of the tension among the competing theories of trademark liability identified in this Part: the uniqueness theory, which holds that trademark liability should be imposed to provide manufacturers with the means and incentive to create and preserve consumer goodwill; and the free-riding theory, which holds that trademark liability should be imposed to prevent second comers from misappropriating the consumer goodwill generated by another's trademark. In confronting this theoretical tension while still maintaining their aversion to trademark rights "in gross", courts interpreting the FTDA have attempted to shoehorn dilution law into the common-law theory, exposing not only the incompatibility between the infringement and dilution remedies as currently conceived, but also the inconsistency of modern trademark infringement doctrine with the common-law theory of trademarks as identifiers of source.

---

[60] H.R. REP. NO. 104-374, at 3 (1995).

II. The Species of Trademark Liability

Even after the statutory developments discussed in the previous section, federal trademark doctrine remains wedded to the common law's conceptual nexus of a mark and a manufacturer—between a source and its symbol. Although the Lanham Act doctrine of confusion has now broadened from its original scope of source of origin to include concepts such as affiliation, connection, or sponsorship, all these concepts relate back to the manufacturer: they speak not to the consumer's general beliefs about the trademark-bearing product but to her specific belief about the marked product's relationship to an entity—even an anonymous or unknown entity—that owns the mark.[61] Dilution doctrine, in contrast, appears mainly concerned with the stability of that specific belief: it is designed to prevent the consumer from associating a famous mark with more than one manufacturer, or to shield the association from the influence of other manufacturers. Ostensibly, then, all trademark liability doctrine is concerned with the consumer's mental association between a mark and a maker—indeed, courts go so far as to invent an unknown, anonymous manufacturer in the consumer's mind in order to preserve this doctrinal focus.[62] However, as this Part will show, courts often assess this mental association by

[61] The theoretical complexities of the relationship between a mark, a marked product, and the information supposedly conveyed by the mark are extensively explored in Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621 (2004).

[62] The so-called "anonymous source doctrine," which dates back to Schechter's days, continues to be one of the more awkward aspects of trademark law. *See Bayer Co. v. United Drug Co. (Aspirin)*, 272 F. 505, 509 (S.D.N.Y. 1921) ("[T]he question is whether the buyers merely understood that the word 'Aspirin' meant this kind of drug, or whether it meant that . . . it came from the same single, though . . . anonymous, source from which they had got it before."). In response to a confused set of decisions in the *Anti-Monopoly* cases (*Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982); *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 611 F.2d 296 (9th Cir. 1979); *CPG Prods. Corp. v. Anti-Monopoly, Inc.*, 459 U.S. 1227 (1983)), Congress amended the Lanham Act to make the anonymous source doctrine explicit. *See* Trademark Clarification Act of 1984, Pub. L. No. 98-620, 98 Stat. 3335

means of various proxy criteria, and these proxy criteria, in turn, suggest a different and more generalized concern at the heart of trademark law.

A. Infringement

"[W]hether a claim is brought under [15 U.S.C.] § 1114 for infringement of a registered mark, or whether it is brought under [15 U.S.C.] § 1125(a) for infringement of an unregistered mark, the touchstone of the claim is likelihood of confusion."[63] Under the language of these statutes, a court deciding whether infringement exists must determine whether it is likely that purchasers or potential purchasers viewing the defendant's mark will either: (a) be confused into thinking that the product bearing that mark originates with, or is sponsored or approved by

---

§ 103 (1984) (codified as amended at 15 U.S.C. § 1127) (defining "trademark" as "any word, name, symbol, or device…adopted and used by a manufacturer or merchant …to indicate the source of [his] goods, *even if that source is unknown*." (emphasis added)). In that same statute Congress made a tentative effort to loosen the grip of the mark/maker relationship on one aspect of trademark doctrine, but this effort has been largely unsuccessful. *See id.* § 102 (1984) (codified as amended at 15 U.S.C. § 1064(3)) (stating that a trademark may be "used as a name of or to identify a unique product or service" without becoming generic); Beebe, *supra* note 61, at 652-53 (describing 15 U.S.C. § 1064(3) as a less-than-successful attempt to force courts "to distinguish between marks that are 'distinctive of *plaintiff's product*' and marks that are 'distinctive of *a product's source*,' (emphasis added) while preserving trademark protection over both classes of marks).

[63] *ETW Corp. v. Jireh Publ'g*, 332 F.3d 915, 940 (6th Cir. 2003) (internal quotation marks omitted); *see also KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, ___, 125 S.Ct. 542, 567 (2004) (noting that a claim of infringement "requires a showing that the defendant's actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question"); *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 831-32 (11th Cir. 1982) ("[T]he touchstone test for a violation of § 43(a) is the likelihood of confusion resulting from the defendant's adoption of a trade dress similar to the plaintiff's.") (internal quotation marks omitted); 3 McCarthy, *supra* note 14, at § 23:1, pages 23-6 to 23-8 ("Likelihood of confusion is the basic test of both common-law trademark infringement and federal statutory trademark infringement.") (footnotes and internal quotation marks omitted).

the trademark owner; or (b) be confused into thinking that the defendant is affiliated, connected, or associated with the trademark owner.[64]

<u>1. Species of Confusion.</u>—"The most common and widely recognized type of confusion that creates infringement is purchaser confusion of source which occurs at the time of purchase: point of sale confusion."[65] In other words, liability for infringement is usually imposed where a defendant is using a trademark that causes consumers to believe that plaintiff is the source of defendant's goods when purchasing defendant's goods. Other types of confusion are grounds for liability, however. As has already been noted, confusion as to source is no more nor less actionable than confusion as to affiliation, approval, sponsorship, or the like. Moreover, point-of-sale confusion is not the only scenario for which relief is available. A trademark owner can obtain relief for "initial-interest confusion," a bait-and-switch scenario in which a consumer is lured in by the confusion engendered by defendant's mark but any such confusion is dispelled by the point-of-sale.[66] Post-sale confusion, in which potential purchasers or the public at large

---

[64] *See* 15 U.S.C. §§ 1114, 1125(a).

[65] 3 MCCARTHY, *supra* note 14, at § 23:5, page 23-19.

[66] *Grotrian, Helfferich, Shulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975); *see also Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 382 (7th Cir. 1996) (characterizing "bait and switch" techniques as actionable under a theory of initial interest confusion); *Jordache Enters. v. Levi Strauss & Co.,* 841 F.Supp. 506, 514–15 (S.D.N.Y. 1993) (describing initial interest confusion as a situation in which "potential customers initially are attracted to the junior user's mark by virtue of its similarity to the senior user's mark, even though these consumers are not actually confused at the time of purchase."); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987) (imposing liability where defendant's word mark "Pegasus" could engender initial confusion with plaintiff's graphical flying-horse trademark, even if no such confusion existed at the time defendant closed any transactions); *but see Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 423 F.3d 539, 549-52 & n.15 (6th Cir. Sept. 12, 2005) (rejecting initial interest confusion as a basis for infringement of a product shape trademark in the absence of point-of-sale confusion, and suggesting that initial-interest confusion is largely limited to the context of Internet domain names).

are confused by defendant's products when they are seen in the possession of prior purchasers, is also actionable.[67] Finally, in some cases a second user of a trademark will overwhelm the marketplace such that consumers erroneously believe that the goods of the smaller first user—who by virtue of priority in time has rights to the trademark—are those of the larger second user; this is known as "reverse confusion."[68] It will become apparent over the rest of this Article that these various species of confusion are differentiated from one another (and from other species of trademark liability) only by certain variations in the outcome of a limited set of mental processes underlying all trademark liability.

2. Determining Likelihood of Confusion .—No matter which of these scenarios is at issue, the relevant analysis remains the same. The question whether confusion is in fact likely is generally determined by means of an analysis derived in one way or another from the 1938

---

[67] *Hermes Int'l v. Lederer de Paris Fifth Avenue, Inc.*, 219 F.3d 104, 109 (2d Cir. 2000) ("[A] loss occurs when a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price."); *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872-73 (2d Cir. 1986) ("The confusion the [Lanham] Act seeks to prevent in [the post-sale] context is that a consumer seeing the familiar stitching pattern will associate the jeans with appellee and that association will influence his buying decisions."); *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Lecoultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955) (finding infringement where "plaintiff copied the design of the Atmos clock because plaintiff intended to, and did, attract purchasers who wanted a 'luxury design' clock[, and] some customers would buy plaintiff's cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article"); *but see Gibson Guitar Corp.*, 423 F.3d at 552 (6th Cir. Sept. 12, 2005) (rejecting post-sale confusion as a basis for infringement of a product shape trademark in the absence of point-of-sale confusion).

[68] *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 957 (7th Cir. 1992) ("Reverse confusion occurs when a large junior user saturates the market with a tradamark similar or identical to that of the smaller senior user."); *Banff, Ltd. v. Federated Dept. Stores, Inc.*, 841 F.2d 486, 490 (2nd Cir. 1988) ("Reverse confusion is the misimpression that the junior user is the source of the senior user's goods.").

Restatement of Torts, which set forth nine factors to be considered.[69] Although "each of the thirteen federal circuit courts of appeal has developed its own version of the list and each appears to be jealous of its own formulation of factors,"[70] the lists are all quite similar, as can be seen in Figure 1 on the following two pages:

[69] RESTATEMENT OF TORTS § 731 (1938). *See* 4 MCCARTHY, *supra* note 14, at § 24:29, page 24-55. The Tenth Circuit, in a departure from this model, draws its "likelihood of confusion" factors from section 729 of the Restatement. *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 558 n.5 (10th Cir. 1984) (quoting RESTATEMENT OF TORTS § 729 (1938)); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 940 (10th Cir. 1983) (same).

[70] 4 MCCARTHY, *supra* note 14, at § 24:30, page 24-57.

FIGURE 1

"LIKELIHOOD OF CONFUSION" FACTORS, BY CIRCUIT[71]

CIRCUIT	FACTORS	CIRCUIT	FACTORS
First[72]	1) Similarity of the marks 2) Similarity of the goods 3) Relationship between the parties' channels of trade 4) Relationship between the parties' advertising 5) Classes of prospective purchasers 6) Evidence of actual confusion 7) Defendant's intent in adopting its mark 8) Strength of the plaintiff's mark	Third[73]	1) Degree of similarity between the marks 2) Strength of plaintiff's mark 3) Price of the goods and other factors indicative of expected consumer care and attention at point-of-sale 4) Length of time defendant has used the mark without evidence of actual confusion arising 5) Defendant's intent in adopting the mark 6) Evidence of actual confusion 7) Similarity of channels of trade and advertising media 8) Similarity of targets of the parties' sales efforts 9) Relationship of the goods in the minds of consumers due to similarity of function 10) Other facts suggesting that the consuming public might expect plaintiff to manufacture a product in the defendant's market, or that plaintiff is likely to expand into that market.
Second[74]	1) Strength of plaintiff's mark 2) Degree of similarity between the marks 3) Proximity of the products 4) Likelihood that the prior owner will bridge the gap 5) Actual confusion 6) Defendant's good or bad faith 7) Quality of defendant's product 8) Sophistication of the buyers	Fourth[75]	1) Strength or distinctiveness of the mark 2) Similarity of the two marks 3) Similarity of the goods/services the marks identify 4) Similarity of the facilities the parties use in their businesses 5) Similarity of the advertising used by the parties 6) Defendant's intent 7) Actual confusion 8) Proximity of the products as they are actually sold 9) Probability that the senior mark owner will "bridge the gap" by entering the defendant's market 10) Quality of the defendant's product in relationship to the quality of plaintiff's product 11) Sophistication of the buyers

[71] The D.C. Circuit has yet to announce the factors it deems relevant in determining likelihood of confusion. 4 MCCARTHY, *supra* note 14, at § 24:42, page 24-73. The Federal Circuit's test, as articulated by the Court of Customs and Patent Appeals, only comes into play in proceedings before the Patent and Trademark Office (such as registration proceedings), and thus is not directly relevant to liability issues. *Application of E. I. Dupont De Nemours & Co.*, 476 F.2d 1357, 1361 (P.App. Cir. 1973) (setting forth thirteen-factor test for refusing registration based on likelihood of confusion with the mark of a prior user).

[72] *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 29 (1st Cir. 1989).

[73] *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3rd Cir. 1983).

[74] *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); *see also TCPIP Holding Co. v. Haar Communications*, 244 F.3d 88, 100 (2d Cir. 2001).

[75] *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984); *Shakespeare Co. v. Silstar Corp. Of Am.*, 110 F.3d 234, 241-42 (4th Cir. 1997). *Pizzeria Uno* lists only the first seven factors; *Shakespeare* lists all eleven.

CIRCUIT	FACTORS	CIRCUIT	FACTORS
Fifth[76]	1) Strength of the plaintiff's mark 2) Similarity of design between the marks 3) Similarity of the products 4) Identity of retail outlets and purchasers 5) Similarity of advertising media used 6) The defendant's intent 7) Actual confusion 8) Degree of care exercised by potential purchasers	Eighth[77]	1) Strength and distinctiveness of plaintiff's mark 2) Overall visual and aural similarity of the marks 3) Relatedness of products 4) Competitive proximity 5) Defendant's intent to pass off its goods as the product of another 6) Actual confusion 7) Degree of purchaser care in light of the kind, cost, and conditions of purchase of the product
Sixth[78]	1) Strength of the plaintiff's mark 2) Relatedness of the goods 3) Similarity of the marks 4) Evidence of actual confusion 5) Marketing channels used 6) Likely degree of purchaser care 7) Defendant's intent in selecting the mark 8) Likelihood of expansion of the product lines	Ninth[79]	1) Strength of the mark 2) Proximity of the goods 3) Similarity of the marks 4) Evidence of actual confusion 5) Marketing channels used 6) Type of goods and the degree of care likely to be exercised by the purchaser 7) Defendant's intent in selecting the mark 8) Likelihood of expansion of the product lines
Seventh[80]	1) Degree of similarity between the marks 2) Similarity of the products 3) Area and manner of concurrent use 4) Degree of care likely to be exercised by consumers 5) Strength of the plaintiff's mark 6) Actual confusion 7) Defendant's intent to palm off his products as those of another	Tenth[81]	1) Degree of similarity between the marks 2) Defendant's intent in adopting the mark 3) Similarity of use and manner of marketing between the parties' products 4) Likely degree of purchaser care
		Eleventh[82]	1) Strength of plaintiff's mark 2) Similarity between the marks 3) Similarity between the products 4) Similarity of sales methods 5) Similarity of advertising methods 6) Defendant's intent 7) Actual confusion

[76] *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45 (5th Cir. 1975); *Oreck Corp. v. U.S. Floor Systems, Inc.*, 803 F.2d 166, 170 (5th Cir. 1986); *Pebble Beach Co. v. Tour 18 I Limited*, 155 F.3d 526, 543 (5th Cir. 1998). The eighth factor is mentioned only in *Oreck*, which also substitutes "strength of plaintiff's mark" for the reference in *Roto-Rooter* and *Pebble Beach* refer to the "type" of the mark, suggesting that "type" is merely another word for mark strength as measured along the spectrum of distinctiveness set forth by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976); *see infra* § III.B.2. *See Oreck*, 803 F.2d at 170-171. The *Oreck* formulation is reflected in Figure 1.

[77] *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980); *Co-Rect Prods. v. Marvy! Advertising*, 780 F.2d 1324, 1330 (8th Cir. 1985) (citing *SquirtCo*, 628 F.2d at 1091). *Co-Rect* does not separately identify factor 3, and does not develop the other factors in as much detail as does *SquirtCo*.

[78] *Frisch's Restaurants, Inc. v. Elby's Big Boy*, 670 F.2d 642, 648 (6th Cir. 1982).

[79] *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

[80] *Helene Curtis Indus. v. Church & Dwight Co.*, 560 F.2d 1325, 1330 (7th Cir. 1977).

[81] *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 558 n.5 (10th Cir. 1984) (quoting RESTATEMENT OF TORTS § 729 (1938)); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 940 (10th Cir. 1983) (same).

[82] *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1514 (11th Cir. 1984).

The similarities among these circuit-specific lists should be apparent. Every circuit includes factors regarding the similarity of the marks[83] and the defendant's intent.[84] All except the Tenth Circuit include factors regarding strength of the plaintiff's mark[85] and evidence of actual confusion.[86] All except the Eleventh Circuit (and to some extent the First Circuit) consider the sophistication of, or degree of care likely to be exercised by, purchasers and prospective purchasers.[87] And all the remaining factors address in one way or another the proximity (or overlap) of the commercial spheres in which the two parties' products are found—

[83] Factor 1 in the First Circuit, Factor 2 in the Second Circuit, Factor 1 in the Third Circuit, Factor 2 in the Fourth Circuit, Factor 2 in the Fifth Circuit, Factor 3 in the Sixth Circuit, Factor 1 in the Seventh Circuit, Factor 2 in the Eighth Circuit, Factor 3 in the Ninth Circuit, Factor 1 in the Tenth Circuit, and Factor 2 in the Eleventh Circuit. *See* Fig. 1, *supra*.

[84] Factor 7 in the First Circuit, Factor 6 in the Second Circuit, Factor 5 in the Third Circuit, Factor 6 in the Fourth Circuit, Factor 6 in the Fifth Circuit, Factor 7 in the Sixth Circuit, Factor 7 in the Seventh Circuit, Factor 5 in the Eighth Circuit, Factor 7 in the Ninth Circuit, Factor 2 in the Tenth Circuit, and Factor 6 in the Eleventh Circuit. *See* Fig. 1, *supra*.

[85] Factor 8 in the First Circuit, Factor 1 in the Second Circuit, Factor 2 in the Third Circuit, Factor 1 in the Fourth Circuit, Factor 1 in the Fifth Circuit, Factor 1 in the Sixth Circuit, Factor 5 in the Seventh Circuit, Factor 1 in the Eighth Circuit, Factor 1 in the Ninth Circuit, and Factor 1 in the Eleventh Circuit. *See id.*

[86] Factor 6 in the First Circuit, Factor 5 in the Second Circuit, Factors 4 and 6 in the Third Circuit, Factor 7 in the Fourth Circuit, Factor 7 in the Fifth Circuit, Factor 4 in the Sixth Circuit, Factor 6 in the Seventh Circuit, Factor 6 in the Eighth Circuit, Factor 4 in the Ninth Circuit, and Factor 7 in the Eleventh Circuit. *See id.* The Tenth Circuit's departure from its sister circuits on mark strength and actual confusion is likely attributable to the fact that it based its list on section 729 of the Restatement of Torts, while the other circuits derived their tests from section 731. *See supra* note 69 and accompanying text.

[87] Factor 8 in the Second Circuit, Factor 3 in the Third Circuit, Factor 11 in the Fourth Circuit, Factor 8 in the Fifth Circuit, Factor 6 in the Sixth Circuit, Factor 4 in the Seventh Circuit, Factor 7 in the Eighth Circuit, Factor 6 in the Ninth Circuit, and Factor 4 in the Tenth Circuit. *See id.* Factor 5 in the First Circuit addresses "classes of prospective purchasers," but this factor is grouped with other factors relating to the overlap in the parties' markets, specifically whether they are likely to share a substantial amount of customers. *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 30 (1st Cir. 1989). The court has said that the relative expertise of the relevant classes of customers is sometimes, but not always, relevant to likelihood of confusion. *Id.*

either in similarity of the products themselves (along dimensions such as the function of the goods or their relative quality or cost),[88] similarity of the commercial or geographic contexts of their sale (including the venues in which they are sold and the likelihood that the plaintiff will expand the scope of its business to overlap with that of the defendant),[89] similarity of their target audiences,[90] or similarity of the techniques and media used to advertise and market them.[91] Collectively, these factors can be understood as addressing whether consumers are likely to encounter both parties' products (and, hence, their marks) in a similar commercial context, and this Article will use the term "proximity of markets" as a shorthand for the various comparisons in this subset of the likelihood of confusion test.

All the various tests for likelihood of confusion—whether they have four factors or eleven—boil down to the six essential concerns described in the previous paragraph: actual confusion, strength of plaintiff's mark, similarity of marks, proximity of markets, degree of consumer care, and defendant's intent. All these factors purport to measure the likelihood of

---

[88] Factor 2 in the First Circuit, Factors 3 and 7 in the Second Circuit, Factor 9 in the Third Circuit, Factors 3 and 10 in the Fourth Circuit, Factor 3 in the Fifth Circuit, Factor 2 in the Sixth Circuit, Factor 2 in the Seventh Circuit, Factor 3 in the Eighth Circuit, Factor 2 in the Ninth Circuit, and Factor 3 in the Eleventh Circuit all speak to this issue. *See* Fig. 1, *supra*. The Tenth Circuit also considers product similarity to some extent, under the rubric of its Factor 3. *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 941 (10th Cir. 1983) ("Confusing similarity is most likely when the products themselves are very similar").

[89] Factor 3 in the First Circuit, Factors 3 and 4 in the Second Circuit, Factors 7 and 10 in the Third Circuit, Factors 4, 8, and 9 in the Fourth Circuit, Factor 4 in the Fifth Circuit, Factor 3 in the Seventh Circuit, Factor 4 in the Eighth Circuit, Factors 2, 5, and 8 in the Ninth Circuit, Factor 3 in the Tenth Circuit, and Factor 4 in the Eleventh Circuit. *See* Fig. 1, *supra*.

[90] Factor 5 in the First Circuit and Factor 8 in the Third Circuit. *Id.*

[91] Factor 4 in the First Circuit, Factor 7 in the Third Circuit, Factor 5 in the Fourth Circuit, Factor 5 in the Fifth Circuit, Factor 5 in the Sixth Circuit, Factor 5 in the Ninth Circuit, Factor 3 in the Tenth Circuit, and Factor 5 in the Eleventh Circuit. *Id.*

consumer confusion as to source, affiliation, approval, or the like; but in fact only one of them actually attempts to take the measurement directly: the "evidence of acutal confusion" factor. The remaining factors can be understood as proxy measurements: accessible facts that are believed to have some relevant relationship to the attribute that is the target of inquiry, and are therefore expected to have predictive power as to the value of that target attribute. Although the likelihood of confusion test is ostensibly concerned with the consumer's perception of the relationship between mark and maker, most of the test's proxy measurements are grounded in the circumstances of the consumer's direct interaction with the trademarks in question and the products to which they are attached, without regard to the concept of a mark owner: whether the marks are similar to one another, encountered on similar products, or encountered in similar contexts; whether they are unique or well-known, and whether the consumer will give care and thought to the purchase decision in which the trademark is encountered. The one exception to the generalization that proxy measurements of likelihood of confusion are independent of the concept of a manufacturer—defendant's intent—is a relic of the equitable origins of unfair competition law, but has lately been largely marginalized by the courts precisely because it is not believed to bear a sufficient relationship to consumer confusion.[92] In fact, recent cases suggest that the defendant's intent may be nothing more than an inferential link between similarity of

[92] *See, e.g.*, *Virgin Enters. Ltd v. Nawab*, 335 F.3d 141, 151 (2d Cir. 2003) (holding that the defendant's intent is not "of high relevance" because "[i]t does not bear directly on whether customers are likely to be confused"); *Brookfield Communications v. West Coast Entertainment*, 174 F.3d 1036, 1059-60 (9th Cir. 1999) (holding that the defendant's intent "is only relevant to the extent that it bears upon the likelihood that consumers will be confused by the alleged infringer's mark (or to the extent that a court wishes to consider it as an equitable consideration)"); *Versa Prods. Co. v. Bifold Co.*, 50 F.3d 189, 208 (3d Cir. 1995) ("[A] defendant's intent weighs in favor of a finding of likelihood of confusion only…where the product's labeling and marketing are also affirmatively misleading.").

marks and likelihood of confusion. This link is part of a well-worn chain of reasoning: if a defendant knew of the plaintiff's mark, and adopted a similar or identical mark, he must have thought he would confuse consumers and thereby capitalize on plaintiff's goodwill, and he is likely to have succeeded in his efforts to confuse.[93] In this view, the defendant's intent is less of a proxy measurement in its own right than a gloss on the similarity-of-marks inquiry,[94] and in fact it can even be viewed as a logically circular effort to justify the use of similarity of marks as a proxy for likelihood of confusion. In light of these features of the treatment of defendant's intent under trademark law, this Article will treat defendant's intent as an offshoot of the similarity-of-marks inquiry, and will not address the former factor independently.[95]

In sum, this section has attempted to reduce the various infringement tests to four primal factors that serve as proxies for likelihood of confusion in judicial analysis under the

[93] *See, e.g.*, *Versa Prods.*, 50 F.3d at 205-08 ("[T]here is little or no competitive need to copy another's distinctive symbol or presentation to sell one's product, and …anyone who does so is most likely trying to cash in on the competitor's goodwill."); *American Chicle Co. v. Topps Chewing Gum, Inc.,* 208 F.2d 560, 563 (2d Cir. 1953) (Learned Hand, J.) ("[A]s soon as we see that a second comer…plagiarized the make-up of an earlier comer, we need no more, for he at any rate thinks…that he is likely to succeed [in sowing confusion]." (internal quotation marks omitted)).

[94] *See Versa Prods.*, 50 F.3d at 206 (holding that reliance on defendant's intent "largely duplicates the weight given to the substantial-identity-of-appearance factor…in the likelihood of confusion inquiry").

[95] Despite their avowed program to accord little weight to a defendant's intent, recent empirical analysis suggests that judges rely very heavily on this factor when deciding trademark cases. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 95 CAL. L. REV. (forthcoming 2006), at 35-40, *available at* http://www.bartonbeebe.com/documents/Beebe-An%20Empirical%20Study%20of%20the%20Multifactor%20Tests.pdf (discussing data showing that a finding against the defendant on the intent factor correlates almost perfectly to a finding against the defendant on the issue of liability). Given the circularity of the reasoning behind the use of this factor as a determinant of liability, and the courts' voluble disavowal of it, the empirical result of Professor Beebe's analysis suggests that judicial discretion in trademark cases may require more stringent channelling. *See infra* notes 230-233 and accompanying text.

Lanham Act: similarity of marks, proximity of markets, strength of marks, and consumer care. As the next Part will demonstrate, courts' use of these proxies to determine likelihood of confusion is something of an inversion: the proxy factors are actually more direct measurements of the harm at issue in trademark cases than is consumer confusion as to source, affiliation, approval, or the like. As will be made clear below, consumer confusion as to the relationship between manufacturers and trademarked products is simply a convenient framework for rationally discussing this harm, which is not amenable to the deductive, rationalist framework of judicial analysis.[96]

B. Dilution

Dilution under federal law is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services,"[97] and the FTDA makes remedies available to the "owner of a famous mark" against another person's commercial use of a mark that "causes dilution of the distinctive quality of the mark".[98] The FTDA's limitation of the dilution remedy to famous marks has the effect of making the strength of the plaintiff's mark not merely a factor in weighing the strength of a dilution claim (as it is in the likelihood of confusion analysis), but a necessary statutory element of a prima facie dilution case.[99] Whether a dilution claim will

---

[96] *See infra* Part III.

[97] FTDA, Pub. L. No. 104-98, § 4, 109 Stat. 985, 986 (1996), codified at 15 U.S.C. § 1127 (2005).

[98] *Id.* § 3(a), 109 Stat. at 985, codified at 15 U.S.C. § 1125(c)(1) (2005).

[99] *Id.*; *see also Autozone, Inc. v. Tandy Corp.*, 373 F.3d 786, 802 (6th Cir. 2004) ("To succeed in a federal dilution claim: [T]he senior mark must be (1) famous…."), *quoting Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d at 616, 616 (6th Cir. 2003); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999) ("We understand the FTDA to establish five necessary elements to a claim of dilution: (1) the senior mark must be famous…."); 4 MCCARTHY, *supra*

actually suceed, however, depends on other factors developed by the courts. Historically, dilution has been understood as encompassing two classes of harm: blurring and tarnishment.

1. Dilution by Blurring.—Early judicial efforts to systematize federal dilution doctrine were generally confused and chaotic. The first Court of Appeals cases focused almost exclusively on the fame of the plaintiff's mark, the similarity of the defendant's mark to the plaintiff's mark, and the direct effects of such similarity on consumer reactions to the marks.[100] Then, in an apparent bid to do for the FTDA what Judge Friendly's seminal opinion in *Polaroid* did for the Lanham Act, the Second Circuit enunciated a sprawling ten-factor test for dilution by blurring in *Nabisco, Inc. v. PF Brands, Inc.*[101] Yet where Judge Friendly's opinion drew from a long history of analysis and study embodied in the Restatement of Torts,[102] the *Nabisco* factors

---

note 14, at § 24:89, page 24-158 ("The elements of a prima facie case for an injunction against dilution…[include that t]he plaintiff is the owner of a mark which qualifies as a 'famous' mark…."). Although there are statutory criteria for assessing fame within the FTDA, 15 U.S.C. § 1125(c)(1)(A)-(H), most authorities treat the requirement of fame as requiring the same type of mark strength as is measured under an infringement analysis, only to a higher degree. *See, e.g.*, *TCPIP Holding Co. v. Haar Communications, Inc.*, 244 F.3d 88, 97-98 (2d Cir. 2001); 4 MCCARTHY, *supra* note 14, at § 24:91.1, page 24-181. Indeed, the statutory factors for determining fame under the FTDA overlap considerably with judicially crafted factors for determining secondary meaning. *Compare* 15 U.S.C. § 1125(c)(1)(A)-(H) (setting forth eight factors for determining fame including duration and extent of use, scope of advertising, level of recognition, and the nature and extent of use of similar marks by others); *with Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1222 (2d Cir. 1987) (setting forth six factors for determining secondary meaning, including length and exclusivity of use, advertising expenditures, consumer studies establishing recognition, and attempts to plagiarize the mark).

[100] *See, e.g.*, *Ringling Bros. v. Utah Division of Trav. Dev.*, 170 F.3d 449, 458 (4th Cir. 1999); *Luigino's, Inc v. Stouffer Corp.*, 170 F.3d 827, 832-33 (8th Cir. 1999).

[101] 191 F.3d 208, 217-22 (2d Cir. 1999).

[102] *See Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961), citing RESTATEMENT OF TORTS §§ 729-31.

appear to have been plucked from thin air,[103] by a court that practically admitted it did not fully understand what dilution is.[104] The *Nabisco* court was roundly criticized for confusing dilution with infringement, and including factors in its analysis that were more suited to the latter concept than the former.[105] Moreover, the *Nabisco* court split from an earlier Fourth Circuit decision that had held that the FTDA required a plaintiff to prove actual dilution and economic harm in order to prevail, as opposed to mere likelihood of dilution.[106] Over the next few years, the Sixth Circuit essentially adopted *Nabisco* in its first case under the FTDA[107] and the Third Circuit collated the *Nabisco* test with an earlier Second Circuit test for state-law dilution claims,[108] deepening the confusion among the circuits.

The Supreme Court first stepped into the fray in 2003 in the case of *Moseley v. V Secret Catalogue*.[109] The *Moseley* Court, resolving the aforementioned split between the Second

---

[103] *Nabisco*, 191 F.3d at 217 (stating that the factors the court was using to weigh the plaintiff's dilution claim were "the factors that appear pertinent on these particular facts").

[104] *Id.* ("It is not yet entirely clear how courts should determine whether a junior use causes a senior mark to suffer dilution."), citing *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625 (2d Cir. 1983) ("[D]ilution remains a somewhat nebulous concept.").

[105] *See, e.g.*, 4 MCCARTHY, *supra* note 14, at § 24:94.4, pages 24-210 to 24-214; *Autozone*, 373 F.3d at 804-05 & n.4; *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49-50 (1st Cir. 1998) (criticizing some factors applied by the Second Circuit in a dilution case under New York law, which factors also appeared in the *Nabisco* test).

[106] *Compare Nabisco*, 191 F.3d at 223-25 (holding that only likelihood of dilution need be proven for a plaintiff to prevail under the FTDA); *with Ringling Bros.*, 170 F.3d at 458-61 (holding that an FTDA claim requires proof of "actual, consummated dilution", and indeed, proof of actual economic harm).

[107] *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001), *rev'd*, 537 U.S. 418 (2003).

[108] *Times Mirror Magazine v. Las Vegas Sports News*, 212 F.3d 157, 168 (3d Cir. 2000).

[109] 537 U.S. 418, 432-33 (2003).

and Fourth Circuits, held that to prevail under the FTDA a plaintiff must prove “actual dilution”, not mere “likelihood of dilution”, although actual economic harm need not be proven.[110] However, where the Fourth Circuit’s requirement of “actual, consummated dilution” had been premised on an understanding of dilution as a harm caused by “a sufficient similarity between the junior and senior marks to evoke an ‘instinctive mental association’ of the two by a relevant universe of consumers,”[111] the *Moseley* Court criticized this view. The Court reasoned that “the mere fact that consumers mentally associate the junior user's mark with a famous mark” was insufficient to establish actionable dilution because it “will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA.”[112] According to *Moseley*, reduction of the capacity of plaintiff’s mark to identify plaintiff’s goods is to dilution by blurring under the FTDA as likelihood of confusion is to infringement under the Lanham Act; consumer association of the defendant’s mark with the plaintiff’s mark is not sufficient to prove an FTDA claim, and may not even be relevant to such a claim. Under *Moseley*, dilution by blurring has little to do with consumer reaction to the defendant’s mark, and everything to do with consumer reaction to the plaintiff’s mark in a world where the defendant’s mark exists.

This feature of the *Moseley* opinion would seem to mark an inflection point in the theoretical tug-o’-war over dilution doctrine. The *Moseley* Court essentially rejected the free-riding theory of dilution implied by the Fourth Circuit’s “instinctive mental association” test—

[110] *Id.* at 432-33.

[111] *Ringling Bros.*, 170 F.3d at 458.

[112] *Id.* at 433.

and by the legislative history of the FTDA—in favor of a dilution doctrine that hews as closely as possible to uniqueness theory embodied in the statutory text. By taking literally the FTDA's uniqueness-based description of the dilution injury, the *Moseley* Court made explicit the internal contradictions of dilution doctrine that Congress (and earlier, Schechter) had attempted to dodge. Although Congress may have intended to promulgate a free-riding theory of dilution[113]—and may still have that intent[114]—the Supreme Court has obliged (or perhaps dared) Congress to make that intent explicit in statutory language. In order to do so, Congress would have to finally acknolwedge what Schechter could not: that the policy underlying the free-riding theory of dilution is essentially an extension of traditional common-law infringement policy beyond the formalist limits set by the *Trademark Cases* and their progeny. The traditional concept of "passing off" envisions an unauthorized use of a mark that deceives the consumer into purchasing a second comer's goods instead of the trademark owner's; the primary distinction between this scenario and free-riding dilution is that in the latter instance the "free ride" does not result in the substitution of a sale of defendant's products for a sale of plaintiff's products (by

[113] *See supra* note 60 and accompanying text.

[114] *See, e.g.*, 151 CONG. REC. H2122 (Apr. 19, 2005) (statement of Rep. Sensenbrenner) (stating, in the context of a proposed amendment to the FTDA, "Unfortunately, there are those in both commercial and noncommercial settings who would seize upon the popularity of a trademark for their own purposes and at the expense of the rightful owner and the public"). Congress is not alone in subscribing to the free-riding theory of dilution. *See, e.g.*, Beebe et al., *supra* note 5, at 881-83 (characterizing dilution as a doctrine within a historical chain of equitable trademark decisions guarding against misappropriation of goodwill); *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 50 (1st Cir. 1998) ("[I]t appears that an entirely different issue is at stake [in the plaintiff's dilution claim]—not interference with the source signaling function but rather protection from an appropriation of or free riding on the investment Lund has made in its design."); *cf. Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1165 (1977) (noting that New York's dilution statute was designed to curb the "cancer-like growth of dissimilar products or services which feed[] upon the business reputation of an established distinctive trade-mark or name.").

reason of the absence of market proximity). To the extent that this free-riding theory of dilution law had any currency, the *Moseley* Court's elimination of mental association between the parties' marks as a sufficient basis for a dilution claim would seem to refute the theory for purposes of the FTDA as currently enacted.

Although the *Moseley* Court was clear about what constitutes dilution and what does not, it did not indicate how reduction in the source-identifying capacity of a plaintiff's mark could be proven. It merely suggested that "direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence--the obvious case is one where the junior and senior marks are identical."[115] Thus, the only proxy for reduction of source-identifying capacity offered by the Supreme Court is similarity of marks—albeit only in the unique case of perfect similarity. Since *Moseley*, no Court of Appeals has developed additional proxies for dilution, but the Sixth Circuit has suggested that the *Nabisco* factors are unlikely to have continued validity,[116] the Second Circuit has held that identity of marks is sufficient to raise a presumption of dilution,[117] the Ninth Circuit has punted the question of how to prove dilution to the Central District of California,[118] and the Seventh Circuit has demurred that whatever evidence might be relevant to a dilution claim under *Moseley*, no such evidence had been presented in the case before it.[119] As of this writing, the

[115] *Id.* at 434.

[116] *Autozone, Inc. v. Tandy Corp.*, 373 F.3d 786, 804-05 (6th Cir. 2004).

[117] *Savin Corp. v. Savin Group*, 391 F.3d 439, 453 (2d Cir. 2004).

[118] *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1014-15 (9th Cir. 2004).

[119] *Ty Inc. v. Softbelly's Inc.*, 353 F.3d 528, 535-36 (7th Cir. 2003).

only factor that federal courts will definitely consider probative of dilution by blurring—other than direct proof of blurring in the form of consumer surveys—is similarity of the marks, and even then only a high degree of similarity (i.e., identity) will do.[120]

2. Dilution by Tarnishment.—*Moseley* hinted that tarnishment might not be actionable under the FTDA, but did not squarely rule on the question.[121] However, federal courts had previously reasoned that the FTDA created a cause of action for dilution by tarnishment,[122]

---

[120] The amendment to the FTDA Congress is considering in response to *Moseley* would establish several factors as relevant to a finding of dilution by blurring, including similarity of the marks, the strength and degree of recognition of the plaintiff's mark, the exclusivity of the plaintiff's use of the mark, the intent of the defendant to create an association with the plaintiff's mark, and the existence of any such association. Trademark Dilution Revision Act of 2005, H.R. 683, sec. 2(1), § (c)(2)(B), 109th Cong. (March 8, 2006). Aside from expanding the evidentiary scope of a dilution case, this amendment would appear to represent a step back in the direction of the free riding theory of dilution that the *Moseley* Court rejected. *See also id.* sec. 2(1), § (c)(5)(B)(1) (providing for additional remedies if a dilution-by-blurring defendant "willfully intended to trade on the recognition of the famous mark").

[121] *Id.*. at 432; *but see id.* at 436 (Kennedy, J., concurring) ("The Court's opinion does not foreclose injunctive relief if respondents on remand present sufficient evidence of either blurring or tarnishment." (internal citations omitted)).

[122] *See, e.g.*, *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466 (7th Cir. 2000) ("Courts recognize two principal forms of dilution: tarnishing and blurring."), citing *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1326 n. 7 (9th Cir. 1998); *Ringling Bros. v. Utah Division of Trav. Dev.*, 170 F.3d 449 (4th Cir. 1999) ("the [FTDA's] legislative history further indicates that Congress understood that 'dilution' might result either from 'uses that blur the distinctiveness of [a famous] mark or [that] tarnish or disparage it.'"); 4 MCCARTHY, *supra* note 14, at § 24:95, page 14-219 & nn.16-20 (collecting cases in which a dilution by tarnishment claim was upheld under the FTDA). Professor McCarthy has argued based on trademark theory and legislative history that a cause of action for tarnishment lies under the FTDA, *see id.* at § 24:95, pages 14-216 to 14-218, and Congress is taking steps to make the availability of a federal remedy for tarnishment more explicit, *see* Trademark Dilution Revision Act of 2005, H.R. 683, sec. 2(1), § (c)(1), 109th Cong. (2005) ("the owner of a famous mark…shall be entitled to an injunction against another person who…commences use of a mark or trade name in commerce that is likely to cause dilution by blurring *or dilution by tarnishment*…." (emphasis added)).

and they are familiar with tarnishment doctrine under analogous state dilution statutes.[123] Dilution by tarnishment can be generally defined as a commercial use of a famous mark by someone other than the mark owner that threatens to displace positive associations of the mark with negative ones.[124] As with dilution by blurring, a famous (i.e., strong) mark is a required element of a tarnishment claim.[125] It is also apparent that similarity of the defendant's mark to the plaintiff's mark is a factor in determining whether tarnishment exists.[126] The only other clear requirement of a tarnishment claim is that the defendant's use must somehow involve shoddy goods or unsavory activity; the most typical examples involve the use of a famous mark in a context that suggests sexual activity or drug use.[127] In short, a claim for dilution by tarnishment

[123] *See, e.g.*, *Hormel Foods Corp. v. Jim Henson Productions*, 73 F.3d 497, 507 (2d Cir. 1996) (analyzing tarnishment under New York's dilution statute, then-N.Y. Gen. Bus. L. § 368-d [now § 360-l]).

[124] *See, e.g.*, *id.* ("The sine qua non of tarnishment is a finding that plaintiff's mark will suffer negative associations through defendant's use."); *Eli Lilly*, 233 F.3d at 466 ("Dilution by tarnishing occurs when a junior mark's similarity to a famous mark causes consumers mistakenly to associate the famous mark with the defendant's inferior or offensive product."); *New York Stock Exchange, Inc. v. New York, New York Hotel, LLC*, 293 F.3d 550, 558 (2d Cir. 2002) ("Tarnishment [under the New York dilution statute] occurs where a trademark is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context," with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods." (internal quotation marks omitted)); *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 881 (9th Cir. 1999) ("Tarnishment occurs when a defendant's use of a mark similar to a plaintiff's presents a danger that consumers will form unfavorable associations with the mark."); Trademark Dilution Revision Act of 2005, H.R. 683, sec. 2(1), § (c)(2)(C), 109th Cong. (2005) (defining dilution by tarnishment as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark."); 4 MCCARTHY, *supra* note 14, at § 24:95, page 24-214 ("Tarnishment can arise where the effect of the defendant's unauthorized use is to dilute by tarnishing or degrading positive associations of the mark and thereby to dilute the distinctive quality of the mark.").

[125] *See supra* note 99 and accompanying text.

[126] *See, e.g.*, *Eli Lilly*, 233 F.3d at 466; *Avery Dennison*, 189 F.3d at 881.

[127] *See, e.g.*, *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 477 (6th Cir. 2001) (agreeing with the district court that defendant's inventory of adult videos, sex toys and other

will be analyzed using similar factors to a claim for dilution by blurring, with the added requirement of some negative connotation to the defendant's use of the accused mark. This overlap suggests a conceptual affinity between the doctrines of blurring and tarnishment: where the latter seeks to prevent persons other than the trademark owner from creating <u>negative</u> associations with the owner's mark, the former seeks to prevent persons other than the trademark owner from creating <u>any</u> associations with the owner's mark that would compete with the association between the mark and its owner's goods. As will be shown in Parts III and IV below, these related policies are in turn connected to the anti-confusion policy of infringement law, and juxtaposition of the doctrines—including the proxy factors by which they are analyzed—suggest a more generalized theory of trademark law rooted in the cognitive psychology of consumer behavior.

C. Summary

This Part has identified a limited set of factors that inform the analysis of all trademark claims. Whether a claim is brought for infringement or dilution, the strength of the plaintiff's mark and the similarity of the defendant's mark to the plaintiff's mark will always be a factor in deciding the claim. For dilution by tarnishment claims, there is an added requirement

---

adult novelties was sufficient to support a tarnishment claim), *rev'd on other grounds*, 537 U.S. 418 (2003); *Kraft Foods Hldgs., Inc. v. Helm*, 205 F. Supp. 2d 942, 949-50 (N.D. Ill. 2002) (holding that the use of the names "VelVeeda" and "King Velveeda" on on a website of sexually explicit images and references to drug use tarnished the "Velveeta" trademark); *Hasbro, Inc. v. Internet Ent. Group, Ltd.*, 40 U.S.P.Q.2d 1479, 1480 (W.D. Wash. 1996) (finding that the Internet domain address "candyland.com" on an adult website tarnished the "CANDY-LAND" board game trademark); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F.Supp. 1183, 1191-93 (E.D.N.Y. 1972) (holding under the New York dilution statute that the "Coca-Cola" mark was diluted by defendant's modification of a Coca-Cola advertisement in a poster which altered the text to read "Cocaine").

that the defendant's use threaten to generate a negative association with the plaintiff's mark. And for infringement claims, courts will also consider the proximity of the markets in which the parties' marks appear and the likely degree of consumer care. The fact that the three legal standards for federal trademark claims—likelihood of confusion for infringement, reduction of the capacity of plaintiff's mark to identify plaintiff's goods for dilution by blurring, and creation of negative associations with plaintiff's mark for dilution by tarnishment—are all determined by analysis of this limited and overlapping set of proxy factors suggests a deeper connection between the various species of liability. Indeed, as the next Part will show, the current legal regime is something of an inversion: the proxy factors are directly linked to the harms at issue in trademark cases, and the diverging legal standards governing the various species of liability are best understood as rationalist efforts to discuss these harms, which operate at a decidedly non-rational level.

III. The Cognitive Psychology of Trademarks and Consumer Decisionmaking

Although the doctrines of infringement and dilution have developed separately, and indeed often in tension with one another, if one examines them in the abstract it becomes apparent that they are really flip sides of the same coin. The doctrines discussed in the previous Part are all centrally concerned with a specific cognitive process, i.e., the effect of the sensory stimulus of a trademark on the mental processes of actual or potential consumers. This effect can be understood as an interconnected set of heuristics and related idiosyncracies of human memory, cognition, and decisionmaking. While trademark doctrine ostensibly concerns itself with the consumer's perception of the relationship between trademarked products and their manufacturers, we have seen that courts tend not to concern themselves as much with this relationship as with a fairly narrow set of proxy criteria. This Part will demonstrate that judicial constructs such as likelihood of confusion, reduction in the capacity of a mark to identify the goods of its owner, and creation of associations that harm the reputation of a mark—insofar as they purport to address the effect of a trademark on a consumer's belief as to the relationship between mark and maker, rather than consumer reaction to the mark itself—are merely rationally cognizable proxies for the manipulations to which the non-rational cognitive processes triggered by trademarks are particularly susceptible.

As an introduction to this hypothesis, readers may wish to perform a brief self-assessment as follows: Typically, when I see a can with the words "Coca-Cola" emblazoned on it in white script against a red background, do I run through a linear mental process on the order of: "That logo is a trademark of the Coca-Cola Company, whose products I have used in the past and found to be (un)satisfactory and (un)pleasant, therefore this product which bears the same logo must also be a product of the Coca-Cola Company (or otherwise affiliated with or approved by that company), and because that company is likely to strive for consistency across the products to which it affixes its trademark, this product is likely to be (un)satisfactory and (un)pleasant to me"? Or rather, when confronted with such a stimulus, does a general impression of (un)pleasantness and (un)desirability simply present itself in my consciousness through no deliberate mental effort on my part? For readers who have the former reaction (if any exist), the arguments presented herein will likely be unpersuasive. But for readers who have the latter reaction, this Part will suggest an explanation why.

Let us begin with the unremarkable assumption that a consumer facing a purchase decision will select a purchase opition that she believes is most likely to satisfy her needs or wants. The specific needs or wants at issue are not particularly material for present purposes; they could include such disparate criteria as value for the dollar, suitability for a specific purpose, capacity to provide some sort of physical, psychological, or emotional enjoyment, or even social prestige or distinction. How is our hypothetcial consumer to determine which particular product from among all her choices is most likely to satisfy her needs or wants? She will usually not be permitted to sample or test the various products, and will thus lack direct evidence from which to rationally deduce their relative capacity to satisfy her criteria. When faced with such uncertainty, human beings tend to estimate the attribute they are trying to measure—the target attribute, in this case the criteria our hypothetical consumer deems important—by reference to a related attribute—a substitute attribute—that they feel they can measure.[128] These substitute attributes are often determined by means of heuristics.[129] And in the case of our hypothetical consumer, there are obvious stimuli available to trigger and channel her heuristic judgments: trademarks.[130]

Courts dealing with trademark cases have developed and applied the proxy factors discussed in the previous Part as metrics for the proper boundaries of trademark liability, even though those proxy factors do not speak directly to the ostensible subject of trademark doctrine: consumer perceptions of the relationship between a marked product and the mark owner. This disconnect suggests that the proxy factors may play some role in the cognitive processes triggered by a trademark, which in turn reflect some feature of consumer psychology *other than* a belief as to the relationship between a marked product and a manufacturer. Viewing the proxy factors through the lens of cognitive psychology, their role and the potential reasons why courts may consider them important begin to emerge. Each of these proxies—similarity of marks, proximity of markets, strength of marks, degree of consumer care, and negative associations—can be understood as reflecting non-rational features of human cognition, which influence consumer decisionmaking in predictable ways. Taken together, these cognitive processes

[128] *See* Daniel Kahneman & Shane Frederick, *Representativeness Revisited: Attribute Substitution in Intuitive Judgment*, *in* HEURISTICS AND BIASES, *supra* note 10, at 49, 53-56.

[129] *See id.* at 53-56.

[130] This is not to say that consumers will always base their purchasing decisions solely on their response to a trademark. Other factors—price, for example—will come into play. But insofar as the trademark function is a model of the effect of trademarks on consumer behavior, the discussion herein will focus on those effects to the exclusion of other potential influences on consumer behavior. In this respect the trademark response is closely related—albeit not identical—to the marketing concept of "brand equity," defined as "the differential effect of brand knowledge on consumer response to the marketing of the brand." Kevin Lane Keller, *Conceptualizing, Measuring, and Managing Customer-Based Brand Equity*, 57 J. MARKETING 1, 2 (1993).

suggest a structure within which certain market behaviors will generate an improperly biased consumer response to a trademark—that is, a response that is the product of empirically unlikely or erroneous consumer beliefs. It is these undesirable responses, and the purchase decisions they cause, that trademark law seeks to prevent, by imposing liability against the market behaviors that generate them.

A. Substitution of Attributes and Negative Associations: The Affect Heuristic and Choosing by Liking.

The discussion above implies the existence of substitute attributes that inform consumer choice in the absence of information to guide rational decisionmaking. A likely candidate for generating such a substitute attribute is the affect heuristic.[131] Based on a variety of experimental studies, psychology researchers have concluded that choices and judgments are often made based on automatically generated valences of positive or negative affective responses—emotional states experienced as a sense of goodness or badness concerning a given stimulus.[132] Put simply, we choose what we like, and only after we have decided do we

[131] Kahneman & Frederick, *supra* note 128, at 57 ("*Affective valence* is a natural assessment, and therefore a candidate for substitution in the numerous situations in which an affectively loaded response is required."); *see* Jon D. Hanson & Douglas A. Kysar, *Taking Behavioralism Seriously: The Problem Of Market Manipulation*, 74 N.Y.U. L. REV. 630, 732-33 (1999) (hereinafter "Hanson & Kysar I") ("[O]ur affective responses to products more often than not determine the purchasing decision, regardless of whether we experience the decision as having resulted from 'reasons.'").

[132] *See* Shane Frederick, *Automated Choice Heuristics*, *in* HEURISTICS AND BIASES, *supra* note 10, at 548, 553 (describing the use of this heuristic as a means of generating choices without deliberate reasoning); Paul Slovic, Melissa Finucane, Ellen Peters, & Donald G. MacGregor, *The Affect Heuristic*, *in* HEURISTICS AND BIASES, *supra* note 10, at 397 (describing the affect heuristic and the empirical data from which it is inferred).

retroactively try to rationalize our decision.[133] It is hypothesized that the emotional component of our experiences with a given stimulus "tags" that stimulus with affective content, either consciously or unconsciously, and the pool of these affective "tags" is automatically drawn on whenever that stimulus is encountered again.[134] So for example, drinking a cold beverage on a hot day, getting a product recall notice, seeing an aesthetically pleasing advertisement, or reading a news report that a household product contains a potent carcinogen, are all experiences that would modify the affect pool for the products and trademarks involved,[135] and accordingly increase or decrease the value of the trademark response to those products and trademarks.

How can we be confident that our hypothetical consumer will rely on an intuitive sense of affect rather than a more structured reasoning process in making her purchase decision? Experimental data suggest the existence of two parallel systems of human reasoning—one

[133] *See* Frederick, *supra* note 132, at 550 (describing the affect heuristic as "choosing by liking"); *see also* R. B. Zajonc, *Feeling and Thinking: Preferences Need No Inferences*, 35 AM. PSYCHOLOGIST 151, 155 (1980) ("Quite often, 'I decided in favor of X' is no more than 'I liked X.' . . . We buy the cars we 'like,' choose the jobs and houses we find 'attractive,' and then justify these choices by various reasons.").

[134] *See* Slovic, Finucane, Peters & MacGregor, *supra* note 132, at 400; *see also* Tim Ambler et al., *Salience and Choice: Neural Correlates of Shopping Decisions*, 21 PSYCHOLOGY & MARKETING 247, 256 (2004) (discussing neural activation patterns during consumer choice tasks that suggest the visual stimuli of trademarks trigger "semantic processing and the memory-based interpretation of visually presented material," and that "such memories are complex with episodic and, in many cases, affective and cognitive elements…[and] probably involve actual experience of purchasing, usage, or seeing advertisements.").

[135] *See* Ambler et al., *supra* note 134, at 256. In fact, research has shown that people tend to intuitively believe there is an inverse correlation between risk and benefit, so positive affective feelings can lead a person to underestimate the risk of the stimulus that generates such feelings, while awareness of even small risks can result in outsized reductions in the perceived benefits of the source of that risk. Slovic, Finucane, Peters & MacGregor, *supra* note 132, at 410-414. Professors Hanson and Kysar have noted that this feature of human decisionmaking leads inevitably to manipulative market behavior in the form of affect-laden advertising for risky products such as cigarettes. Hanson & Kysar I, *supra* note 131, at 732-33.

automatic and associative and the other deliberate and rule-based—that work simultaneously and interactively to complete cognitive tasks.[136] From what we know about human cognition, associative (as opposed to linear or logical) judgments such as affective response are often automatic,[137] and "tagging" a stimulus with affect is an extraordinarily easy task.[138] Moreover, such judgments are difficult to displace with subsequent logical reasoning, which is cognitively demanding and slow.[139] Experimental data have shown that the affect heuristic is persistent: once a stimulus has been tagged with an affective value, later contrary information about the stimulus's actual meaning or significance will often be insufficient to significantly alter the

[136] Sloman, *supra* note 137, at 380-84. For example, Sloman points to experimental results that show test subjects simultaneously believing two contradictory responses to a test question—one founded on associative judgments of similarity and the other on logical rules of probability—as evidence of the two-systems theory. *Id.* at 385-91; *see generally* Ulrike Hahn & Nick Chater, *Similarity and Rules: Distinct? Exhaustive? Empirically Distinguishable?*, 65 COGNITION 197 (1998) (discussing theoretical and empirical distinctions between rule-based and similarity-based cognitive processes).

[137] *See* Steven A. Sloman, *Two Systems of Reasoning*, *in* HEURISTICS AND BIASES, *supra* note 10, at 379, 380-84 & tbl. 22.1 (arguing that "associative" reasoning, which governs associative memory functions, is an automatic form of cognitive processing, to be distinguished from "rule-based" reasoning, which governs more formal logical analysis and requires deliberate sequential processing); *id.* at 393-94. *But see* Gerd Gigerenzer & Terry Regier, *How Do We Tell an Association From a Rule? Comment on Sloman (1996)*, 119 PSYCHOLOGICAL BULLETIN 23, 23-26 (1996) (critiquing Sloman's dual-system theory on grounds of ambiguity, vagueness, and failure to consider alternative explanations of data).

[138] As an illustration of our unconscious sucsceptibility to affective content, consider a study that showed that flashing an affectively charged image (a smiling or frowning face) for 1/250th of a second immediately prior to the display of a stimulus was enough to bias the test subject's preference for that stimulus, even though this the affectively charged "priming" cue was so brief that there was no recognition or recall of it. This effect persisted even when the stimulus was later presented with an affectively opposite "priming" cue. Slovic, Finucane, Peters & MacGregor, *supra* note 132, at 401 (citing P. Winkielman, R.B. Zajonc, & N. Schwarz, *Subliminal Affective Priming Resists Attributional Interventions*, 11 COGNITION & EMOTION 433 (1997)).

[139] *See infra* § III.B.3.

affective response.[140] Indeed, when we rely on any heuristic judgment in our decisionmaking, it takes considerable time and effort to alter those judgments based on further, more rational consideration, if we alter them at all.[141] Put simply, "people are not accustomed to thinking hard, and are often content to trust a plausible judgment that quickly comes to mind."[142] Thus, particularly in those purchasing contexts where the purchase is not considered for a long period of time,[143] initial intuitive judgments—such as affective reactions to a trademark—are extremely likely to form the sole basis for the ultimate purchasing decision. Consumer psychologists studying the purchasing decision have reached similar conclusions.[144]

[140] For example, in one experiment test subjects were given an affectively charged definition for Chinese pictograms, then told that those definitions were inaccurate and asked to memorize "accurate" affectively neutral definitions for the same pictograms. Even after the new affectively neutral meanings had been learned, the test subjects continued to exhibit the earlier affective reaction to the pictograms. Slovic, Finucane, Peters & MacGregor, *supra* note 132, at 401.

[141] *See* Hanson & Kysar I, *supra* note 131, at 646-54 (discussing a host of empirically demonstrated phenomena illustrating the general principle that initial judgments are extremely persistent, even in the face of contradictory or ambiguous hard data). Surprisingly, attempts at rationalization may actually serve to *increase* confidence in a faulty intuitive judgment, a phenomenon known as confirmation bias. *See id.* at 660-62; Nicholas Epley & Thomas Gilovich, *The Anchoring-and-Adjustment Heuristic: Why the Adjustments are Insufficient*, 17 PSYCHOLOGICAL SCIENCE 311, 312 (2006) ("[P]eople evaluate hypotheses by trying to confirm them."). For a general overview of the empirical and theoretical underpinnings of the confirmatory bias, s*ee* Hanson & Kysar I, *supra* note 131, at 647-650.

[142] Kahneman & Frederick, *supra* note 128, at 58. *See also id.* at 57 ("[P]eople initially believe whatever they are told… it takes some time and mental effort to 'unbelieve' such dubious statements."). *Cf. generally* Christian D. Schunn et al., *To Calculate or Not to Calculate: A Source Activation Confusion Model of Problem Familiarity's Role in Strategy Selection*, 23 J. EXPERIMENTAL PSYCHOLOGY: LEARNING, MEMORY & COGNITION 3 (1997) (demonstrating that people tend to retrieve answers to problems from memory, rather than calculate them through logical reasoning, when the problem appears familiar to them).

[143] *See infra* § III.B.3.

[144] *See generally, e.g.*, Girish N. Punj & Clayton L. Hillyer, *A Cognitive Model of Customer-Based Brand Equity for Frequently Purchased Products: Conceptual Framework and Empirical Results*, 14 J. CONSUMER PSYCHOLOGY 124 (2004) (formulating and empirically testing a model of brand equity that is dominated by affectively-laden "global brand attitude" and "brand

The influence of affect and the related phenomenon of "choosing by liking" on purchase decisions begins to shed light on some of the proxy factors identified in the previous Part. First of all, the relevance of negative associations to claims for dilution by tarnishment becomes clear. By altering the affective "pool" for a given trademark, uses that generate negative associations lessen the chance that consumers will choose products bearing that trademark. The "choosing by liking" model also suggests roles for the proxy factors dealing with mark strength and consumer care, which are discussed below.

B. Mark Strength: Recognition, Recall, and Familiarity.

When courts talk about the strength of a plaintiff's trademark, they are referring to three related legal concepts: inherent distinctiveness, acquired distinctiveness (also known as secondary meaning), and fame.[145] Inherent distinctiveness is a judgment about the uniqueness of a trademark in the context of the category of goods on which it is used. Terms that refer to the genus of which a particular product is a species (such as "car" and "cola") are "generic," and

heuristic" as first- and second-level determinants, respectively, of consumer decisionmaking); Ambler et al., *supra* note 134, at 248 (summarizing research suggesting that emotion and feelings are the primary drivers of consumer decisionmaking). *But see* Ambler et al., *supra* note 134, at 257 (noting that brain imaging neither supported nor refuted neurophysiological predictions of one theorist of emotion-based choice).

[145] Courts rely on concepts of distinctiveness not only in determining liability, but also in determining whether a trademark is entitled to protection in the first place. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) ("The general rule regarding distinctiveness is clear: An identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning."). For purposes of this Article, however, the relevance of these concepts lies in their effect on determinations of liability for a defendant's use, not their effect on the protectability of a plaintiff's mark.

therefore not entitled to trademark protection.[146] At the other end of the distinctiveness spectrum are "arbitrary" words that bear no logical relationship to the product they are affixed to (such as "Camel" for cigarettes or "Apple" for computers), and "fanciful" words that have been coined specifically for trademark use (such as "Kodak" or "Xerox").[147] Such terms are entitled to vigorous trademark protection.[148] In between these extremes are "descriptive" marks—terms that describe the products to which they are affixed (such as "Tasty" for food products or "Bright" for flashlights)—and "suggestive" marks—terms that suggest a conclusion about the nature of the goods to which they are affixed but require some thought to reach that conclusion (such as "Tide" for laundry detergent or "Coppertone" for suntan lotion). "Suggestive" marks are generally subject to protection, although they are not considered as strong as arbitrary or fanciful marks, while "descriptive" marks are even weaker, and are entitled to protection only upon a showing of "acquired distinctiveness" or "secondary meaning", the second metric of mark strength.[149]

[146] *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). Terms that may once have signified a particular manufacturer's product but have come, over time, to refer to an entire category of products -- such as "aspirin," "cellophane," and "thermos" -- are also considered "generic". *Id.*at 10 (citing *Bayer Co. v. United Drug Co.*, 272 F. 505 (2d Cir. 1921); *DuPont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936); *King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F.2d 577 (2d Cir. 1963)).

[147] *Abercrombie*, 537 F.2d at 11 & n.12.

[148] *See, e.g.*, *Virgin Enters. v. Nawab*, 335 F.3d 141, 147 (2d Cir. 2003) ("[T]he law accords broad, muscular protection to marks that are arbitrary or fanciful in relation to the products on which they are used.").

[149] *See Abercrombie*, 537 F.2d at 10-11.

The Supreme Court has held that a trademark has attained "acquired distinctiveness"—also known as secondary meaning—when, "in the minds of the public, the primary significance of [the mark] is to identify the source of the product rather than the product itself"[150]—yet another example of the doctrinal preoccupation with the nexus of mark and maker. In addition to direct evidence of such a nexus in the minds of the public (such as testimony or consumer surveys), courts trying to determine whether a mark has attained secondary meaning consider a variety of proxy factors such as the length and exclusivity of the plaintiff's use of the mark, the plaintiff's advertising efforts, publicity surrounding the mark, and the sales success of the plaintiff's products bearing the mark.[151] As with the proxy factors under the various tests for liability, the proxy factors for secondary meaning have little to do with the nexus between a mark an a maker. To the contrary, they all relate to facts that would influence the probability of a significant number of actual or potential consumers having some exposure to the plaintiff's mark, either on the plaintiff's products or in advertising and publicity (and the frequency of such exposure).[152] While such exposures may say nothing about consumer awareness of the

[150] *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209 (2000) (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851 n. 11 (1982)). The Court continues to invoke this definition of secondary meaning despite an apparent effort by Congress to refine the formulation, at least insofar as it pertains to the doctrine of genericness. *See* note 62, *supra*.

[151] *See, e.g.*, *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1222 (2d Cir. 1987); *Mktg. Displays, Inc. v. TrafFix Devices, Inc.*, 200 F.3d 929, 937 (6th Cir. 1999), *rev'd on other grounds*, 532 U.S. 23 (2001); *Co-Rect Prods. v. Marvy! Advertising*, 780 F.2d 1324, 1332-33 (8th Cir. 1985); *Pebble Beach Co. v. Tour 18 I Limited*, 155 F.3d 526, 541 (5th Cir. 1998); *G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985, 998 n.12 (7th Cir. 1989).

[152] Indeed, the "sales success" factor is likely directly linked to affective response, insofar as widespread and repeated purchases of a product imply satisfaction with the product and, concurrently, a positive affective response to its trademark in a large number of consumers.

relationship between a mark and a manufacturer, they may contribute to the "affect pool" of the mark in the mind of consumers, as well as provide more specific knowledge concerning the products to which the mark is affixed that can be drawn on in future decisionmaking.[153] Moreover, as will be demonstrated below, simple repetition of such exposure may itself influence consumer responses to the mark.

The third and final metric of mark strength—fame—is relevant only to dilution claims, but is closely related to the other metrics. Indeed, the text of the FTDA explicitly states that the degree of inherent or acquired distinctiveness of a mark is a relevant consideration in determining whether the mark is "famous."[154] Moreover, the other factors the FTDA lists as relevant to a finding of fame are largely duplicative of the judicially-developed factors for determining secondary meaning.[155] While a heightened showing under these factors may be necessary to support a finding of fame,[156] the difference between fame and secondary meaning would appear to be one of degree, rather than kind.

---

[153] Such specific knowledge may form "associative networks" around the mark in memory that are activated when encountering the mark. *See* Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 TRADEMARK REPORTER 1013, 1018-26 (2001). However, such networks likely play only a subordinate role in consumer decisionmaking. *See infra* notes 166-167 and accompanying text.

[154] FTDA, Pub. L. No. 104-98, sec. 3, § (c)(1)(A), 109 Stat. 985, 985 (1996), codified at 15 U.S.C. § 1125(c)(1)(A) (2005).

[155] *See* note 99, *supra*.

[156] *See, e.g.*, *Savin Corp. v. Savin Group*, 391 F.3d 439, 449 (2d Cir. 2004) (holding that, to qualify as "famous" under the FTDA, a mark must possess "a high degree of … acquired distinctiveness" (emphasis omitted)), *quoting TCPIP Holding Co. v. Haar Communications, Inc.*, 244 F.3d 88, 98 (2d Cir. 2001).

What these authorities demonstrate, then, is that there are two types of mark strength. The first measures the relative uniqueness of a mark in the context of the category of goods in which it is used. The second measures the likelihood that consumers and potential consumers will be familiar with the mark through direct contact with it in the marketplace or in advertising and publicity. Both these concepts of mark strength can be incorporated into a model of consumer decisionmaking based on affective response to trademarks, when viewed in light of research into human memory.

1. Inherent Distinctiveness and the Recognition Heuristic—Much research on human memory has focused on the distinction between two specific and—interestingly—independent memory tasks: recognition and recall.[157] Recognition is described as the belief that one has encountered a stimulus in the past, whereas recall is the ability to retrieve the stimulus and contextual information about it from memory when given an appropriate cue.[158] The first

[157] *See, e.g.*, Gordon H. Bower, *A Brief History of Memory Research*, *in* THE OXFORD HANDBOOK OF MEMORY 3, 16-19 (Endel Tulving & Fergus I. M. Craik eds., 2000) (discussing features of memory that have been the focus of recent study, including free recall, frequency, and recognition).

[158] In the context of consumer psychology, the distinction and its relevance to marketing strategy have been described as follows:

> *Brand recognition* relates to consumers' ability to confirm prior exposure to the brand when given the brand as a cue. In other words, brand recognition requires that consumers correctly discriminate the brand as having been seen or heard previously. *Brand recall* relates to consumers' ability to retrieve the brand when given the product category, the needs fulfilled by the cateogry, or some other type of probe as a cue. In other words, brand recall requires that consumers correctly generate the brand from memory. The relative importance of brand recall and recognition depends on the extent to which consumers make decisions in the store (where they potentially may be exposed to the brand) versus outside the store, among other factors. Brand recognition may be more important to the extent that product decisions are made in the store.

measure of mark strength—uniqueness—is directly related to an interesting distinguishing feature of recognition and recall. Studies have found that low-frequency words—*i.e.*, words that are uncommon in ordinary usage—are more easily *recognized* when encountered after an initial exposure than are high-frequency words.[159] The word-frequency effect on *recall* is precisely the opposite, but is less stable: when presented with lists of either all high-frequency or all low-frequency words, people tend to more accurately recall high-frequency words, but this effect all but disappears when both high- and low-frequency words are presented in a mixed list.[160] Applying these results to the trademark field, one can see how the judicially developed concept of inherent distinctiveness, with its focus on the uniqueness of a plaintiff's chosen mark within its commercial context, reflects this feature of human memory. One reason the law may be more protective of unique marks is that—absent any other measure of consumer reaction to a trademark (such as secondary meaning)—such marks, once encountered, are more likely to be recognized than non-unique marks (and no less likely to be recalled than non-unique marks when

---

Keller, *supra* note 130, at 3 (internal citations omitted).

[159] *See generally* Victor H. Gregg, *Word Frequency, Recognition and Recall*, *in* RECALL AND RECOGNITION 183 (John Brown ed., 1976) (collecting research); Colin M. MacLeod & Kristina E. Kampe, *Word Frequency Effects on Recall, Recognition, and Word Fragment Completion Tests*, 22 J. EXPERIMENTAL PSYCHOLOGY: LEARNING, MEMORY & COGNITION 132, 132 (1996) (same).

[160] MacLeod & Kampe, *supra* note 159, at 132-33.

presented in the same context as such non-unique marks).[161] Another, possibly more potent explanation for the law's preference for unique marks will be discussed below.[162]

Although the word frequency effect gives some general insight into the relevance of recognition to inherent distinctiveness, it does not explain how a recognition-based theory of inherent distinctiveness would play a role in the consumer decisionmaking. That gap can be filled by a feature of human cognition known as the recognition heuristic, which has been described as follows:

> Consider the task of inferring which of two objects has a higher value on some criterion (e.g., which is faster, higher, stronger). The recognition heuristic for such tasks is simply stated: *If one of two objects is recognized and the other is not, then infer that the recognized object has the higher value*.[163]

The existence of this heuristic has been borne out by empirical data, but it is limited in that it is believed to be triggered only in cases where (a) the decisionmaker recognizes the stimulus but does not have any additional information about it, and (b) recognition is intuitively perceived to have some correlation to the target attribute.[164] Nevertheless, it seems a good fit for the case of our hypothetical consumer from the discussion above, in those instances where she has no distinguishing information about the products she is considering other than their brand names.

---

[161] *See* Keller, *supra* note 130, at 9 ("[C]hoosing a familiar word representing a well-known concept or some other common object or property as a brand name may facilitate brand recall, but … choosing a more unusual or distinctive word may facilitate brand recognition.").

[162] *See* Part IV.B, *infra*.

[163] GERD GIGERENEZER, PETER M. TODD, & THE ABC RESEARCH GROUP, SIMPLE HEURISTICS THAT MAKE US SMART, at 41 (1999).

[164] *See generally* Daniel G. Goldstein & Gerd Gigerenzer, *Models of Ecological Rationality: The Recognition Heuristic*, 109 PSYCHOLOGICAL REV. 75 (2002) (setting forth the empirical and theoretical bases for the recognition heuristic).

All else being equal, if she recognizes a trademark affixed to one such product but not the others, we would expect her to select the product whose trademark she recognized, even if she knew nothing else about it, because she will intuitively conclude that it has a higher value on her target criteria.[165]

<u>*2. Acquired Distinctiveness, Fame, and the Role of Familiarity*</u>—Secondary meaning can be similarly identified with features of memory and their role in heuristic judgment. Again, the associative system of cognition plays an important role here. One consumer psychologist has proposed that secondary meaning represents the creation of "associative networks" around a mark in the minds of a substantial number of consumers, and that these networks are activated as part of the recall process triggered by subsequent exposure to the trademark.[166] In other words, through repeated exposure to a mark and experience with the types of goods it is associated with, a consumer comes to recall with increasing ease relevant information about and experiences with products bearing the mark whenever she encounters the mark. Conceptually, this concept is similar to the notion of an "affective pool": a consumer's experiences with a trademark will "tag" that mark with layers of meaning that will be

[165] Goldstein and Gigerenzer suggest that where the prerequisites for the recognition heuristic are met such judgments have what they call "ecological rationality", by which they mean that the correlation of substitute attributes to target attributes may be theoretically validated by environmental mediators that make reliance on the recognition heuristic likely to lead to accurate outcomes. *Id.* at 78. In the consumer context this explanation seems sound insofar as many of our less significant purchasing decisions (concerning which we likely would not go to the trouble of extensively educating ourselves) are informed not by direct experience but by word-of-mouth and advertising.

[166] *See* Jacoby, *supra* note 153, at 1013; *see also* Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2032 (2005) ("Trademark law, and the marketing literature with it, has long recognized that the more distinctive a trademark is from other marks, the greater is consumers' 'awareness' of it and the more immediately 'accessible' it is in their memory." (footnotes omitted)).

automatically drawn on whenever the mark is subsequently encountered and recalled. Still, the separate cognitive processes triggered by knowledge and affect underlie an important distinction between the "associative network" and the "affective pool" in the trademark context: recent research suggests that mental associations characterized by specific knowledge may indeed result from repeated experience with a brand, but that such associations serve only "subsidiary roles" in brand choice, with emotional or affective reactions and attitudes playing the lead role.[167]

The dominance of affective response in consumer choice suggests another mechanism—beyond the affective pool—by which the breadth and frequency of exposure to a trademark might play a role in consumer decisionmaking. It has been shown that simple familiarity with a stimulus increases positive affective response to it.[168] In other words, the more often we are merely exposed to a stimulus, the stronger our affective response to it will be and the more likely we are to prefer it.[169] As discussed above,[170] our hypothetical consumer may try

[167] *See* Ambler et al., *supra* note 134, at 248 (citing references); Punj & Hillyer, *supra* note 144, at 125-26.

[168] Frederick, *supra* note 132, at 548, 553; *see also* Ambler et al., *supra* note 134, at 253-54 (discussing experimental results showing significant correlation between brand familiarity and selection of the brand, and quicker decisionmaking when faced with a familiar brand than with unfamiliar brands).

[169] Slovic, Finucane, Peters & MacGregor, *supra* note 132, at 400 ("[W]hen objects are presented to an individual repeatedly, the 'mere exposure' is capable of creating a positive attitude or preference for these objects."); *see also*, *e.g.*, Robert F. Bornstein, *Exposure and Affect: Overview and Meta-Analysis of Research, 1968-1987*, 106 PSYCH. BULLETIN 265 (1989) (reviewing studies that document the "mere exposure effect"). This feature of affective response has implications for manipulative advertising similar to those identified by Professors Hanson & Kysar. *See generally* Hanson & Kysar I, *supra* note 131; Jon D. Hanson & Douglas A Kysar, *Taking Behavioralism Seriously: Some Evidence of Market Manipulation*, 112 HARV. L. REV. 1422 (1999) (hereinafter "Hanson & Kysar II").

[170] *Supra* notes 136-144 and accompanying text.

to rationalize a purchase by telling herself she is buying a product of high quality, or safety, or value, or desirability, when in fact she is most likely relying on a simple affective response to the trademark on the product's package. While this affective response may be based on her experience with products bearing the mark, it may also be based on nothing more than affectively loaded advertising of the mark, or it may simply arise from the fact that she has seen the mark more often than other marks. In short, consumer familiarity with a trademark through *any* prior exposure (other than one which generates negative affective responses) is likely to increase the positive affective response to products bearing that mark, and influence consumer decisionmaking accordingly. Thus, secondary meaning and fame, which are generally measured in terms of the likelihood and magnitude of consumer exposure to a trademark, are legal constructs that reflect the affective pool, the influence on affect of repeated exposure and familiarity, and—to a lesser extent—the contribution of repeated exposure to associative networks of meaning connected to the mark. Quite simply, in the absence of negative associations with a mark, the more widespread the mark is the stronger and more positive consumer response to it is likely to be.

***

In sum, each of the metrics of mark strength used by courts to assess trademark liability addresses facts that will tend to increase consumers preferences for products bearing the mark in question by influencing cognitive functions and constructs—particularly those based on recognition and familiarity—that generate positive affective response.

C. Similarity of Marks and Proximity of Markets: The Roles of Similarity and Context

The discussion thus far is useful in the examination of how trademarks operate, but it is relevant to trademark liability only to the extent that an accused mark might be identical to a plaintiff's mark, and used on an identical product, thereby generating an identical response. To account for the law's extension of liability beyond such circumstances (under either modern infringement doctrine or dilution doctrine), the role of similarity and context must be addressed, and indeed, the two dimensions interact considerably.[171] Consumer response to a trademark that is similar, but not identical, to another, better-known mark (or identical to a better-known mark used on a different type of product) will likely be influenced by three types of cognitive phenomena: illusions, context effects, and anchoring bias.

1. Mark Similarity and Perceptual/Cognitive Illusions—The interaction of perception and memory often yields idiosyncratic results that could have particular relevance to consumer decisionmaking. For example, when faced with a word recognition task, we often fail to detect small errors, and even fill in missing information, such that we are actually able to "see" a familiar word even when letters are missing, transposed, or replaced with other letters (or abstract characters).[172] Memory can play similar tricks on us, particularly when a novel, distorted, or misplaced stimulus is presented in a context where we would expect to encounter a similar, familiar stimulus. For example, when asked: "How many animals of each kind did

[171] For an earlier and somewhat different view of the interaction of similarity and context in the trademark arena, *see* Jacoby, *supra* note 153, at 1034-40.

[172] *See* Timothy R. Jordan, Sharon M. Thomas, & Kenneth C. Scott-Brown, *The Illusory-Letters Phenomenon: An Illustration of Graphemic Restoration in Visual Word Recognition*, 28 PERCEPTION 1413, 1413, 1415-16 (1999), and sources cited therein.

Moses take with him on the ark?" most people will respond "two," knowing full well that Noah is the bible's ark-builder.[173] The leading explanation for this phenomenon (known in the cognitive psychology literature as the "Moses Illusion") is that when our memory is probed with some stimulus (such as a question), our cognitive system relies on "partial matching" to relate the present experience to the contents of memory:

> …[E]verything we see is varied from different perspectives, so we need to perform partial matches to recognize virtually anything. Consequently, people are accustomed to being tolerant of discrepancies, and highly similar terms are allowed to slip by or are folded into existing representations…. Partial match is sufficient to retrieve information from memory and is itself an important matching process involved in memory retrieval.[174]

The Moses Illusion reveals an important feature of recall tasks: when a stimulus triggers a search of memory, we tend to overlook minor discrepancies between the stimulus and the representation of the relevant item in memory. Similar memory illusions affect recognition tasks: we are more likely to falsely recognize a novel stimulus if it is semantically, morphologically, or phonologically related to familiar stimuli.[175]

---

[173] *See generally* Thomas D. Erikson & Mark E. Mattson, *From Words to Meaning: A Semantic Illusion*, 20 J. OF VERBAL LEARNING AND BEHAVIOR, 540 (1981).

[174] Heekyeong Park & Lynne M. Reder, *Moses Illusion*, in COGNITIVE ILLUSIONS: A HANDBOOK ON FALLACIES AND BIASES IN THINKING, JUDGMENT AND MEMORY 275, 285 (Rüdiger F. Pohl, ed. 2004).

[175] *See, e.g.*, Henry L. Roediger III & Kathleen B. McDermott, *Creating False Memories: Remembering Words not Presented in Lists,* 21 J. EXPERIMENTAL PSYCHOLOGY: LEARNING, MEMORY, & COGNITION 803 (1995) (subjects falsely recognized words that were semantically related to words in studied lists); Jeffery J. Franks & John D. Bransford, *Abstraction of Visual Patterns*, 90 J. EXPERIMENTAL PSYCHOLOGY 65 (1971) (subjects falsely recognized unstudied transformations of prototype shapes, with levels of recognition decreasing as degree of transformation increased.); Mitchell S. Sommers & Bryan P. Lewis, *Who Really Lives Next Door? Creating False Memories with Phonological Neighbors*, 40 J. OF MEMORY & LANGUAGE 83 (1999) (subjects falsely recognized unstudied phonological neighbors of words in previously

Extrapolating these features of human perception and memory to the trademark context, it is easy to see how similarity can play a role in consumer decisionmaking. Subtle distortions of a known trademark may simply not be noticed by a consumer. The distorted trademark may be erroneously recognized even if completely novel. Indeed, it may even trigger the same affective response and recollection of the same memories as those associated with the known, similar trademark. In either case, the consumer would likely be completely unaware that their response to the mark was based on a perceptual or cognitive error.

2. Market Proximity and Context Effects.—The modalities of the illusions described above also suggest a role for market proximity in consumer decisionmaking. It has been shown, for example, that the Moses Illusion dissipates if the distorted term in the stimulus doesn't semantically match the rest of the stimulus—people balk when asked how many animals Nixon brought on the ark.[176] Put more generally:

> S*emantic cohesion* of the critical [distorted] term with the embedding context or proposition … affects the occurrence of the illusion. When the distorted terms are totally unrelated to the script that is queried, the discrepancy is readily noticed. On the other hand, when the replaced term is related to the remainder of the proposition or the general context of the query, noticing the distortions is quite difficult. In other words, the more consistent the critical terms in the question are with the script or knowledge structure associated with [the memory to be recalled], the harder it is to notice that the wrong term is used.[177]

---

aurally-presented lists); *see generally* Henry L. Roediger, Kathleen B. McDermott & Kerry J. Robinson, *The Role of Associative Processes in Producing False Remembering, in* 2 THEORIES OF MEMORY, 187 (Martin A. Conway, Susan E. Gathercole, & Cesare Cornoldi eds., 1998) (collecting recent research on memory illusions).

[176] Park & Reder, *supra* note 174, at 281-82.

[177] *Id.* at 283.

Just as the context of the sentence used as a memory probe in the Moses Illusion experiments limits the types of distortions that can go unnoticed, market context may influence the effect of an accused trademark use on the consuming public. For example, a twelve-ounce aluminum can emblazoned with the words "Cold-Cola" in white-on-red script would probably automatically trigger associations with Coca-Cola beverages in the average consumer, whereas the same logo on a spray bottle of bathroom cleaner would cause consumers to shake their heads in befuddlement. The same sort of disconnect is possible along other dimensions of market proximity: we expect to see advertisements for "Goodyear" in automotive magazines, but not food and wine magazines; we expect to find "Microsoft" products in technology stores and on the Internet, but not at department stores; and we expect "Rolex" watches to cost thousands of dollars, not ten dollars.

Marketing research bears out the importance of consistency of mark and context. Examining the marketing strategy of "brand extension"—the introduction of a new type of product under an existing, established brand name—researchers have concluded that consumers respond most favorably to extensions into product categories that "fit" well conceptually with the parent brand's product category, without being essentially identical to that category.[178] Indeed, sharply incongruent brand extensions not only turn consumers off to the extension itself, they can generate moderate feedback effects that diminish consumer response to the brand name

[178] *See, e.g.*, David A. Aaker & Kevin Lane Keller, *Consumer Evaluations of Brand Extensions*, 54 J. MARKETING 27 (1990) (identifying the role of "fit" in the success of brand extensions); Paul A. Bottomley & Stephen J. S. Holden, *Do We Really Know How Consumers Evaluate Brand Extensions? Empirical Generalizations Based on Secondary Analysis of Eight Studies*, 38 J. OF MARKETING RESEARCH 494 (2001) (confirming Aaker and Keller's hypothesis against subsequent critiques).

generally, and to a lesser extent even to the original product bearing the brand.[179] Consumer psychologists attribute these context-sensitive responses to the cognitive burdens of reconciling the associations a mark activates in memory with the novel experience of its extension. When encountered in a new context, the mark triggers a cognitive effort to "resolve and find meaning in the incongruity," and the success of this effort generates a positive emotional response.[180] Where the context is so far removed from that with which the mark is associated that no resolution of the incongruity is possible, the unsuccessful cognitive effort to find some resolution "typically stimulate[s] negative feelings of frustration and helplessness."[181] Once again, affect

[179] Sandra J. Milberg, C. Whan Park, & Michael S. McCarthy, *Managing Negative Feedback Effects Associated with Brand Extensions: The Impact of Alternative Branding Strategies*, 6 J. CONSUMER PSYCHOLOGY 119, 132-33 (1997) (demonstrating negative "feedback" effects on parent brands of ill-fitting product extensions); Barbara Loken & Deborah Roedder John, *Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact?*, 57 J. MARKETING 71 (1993) (same); Deborah Roedder John, Barbara Loken, & Christopher Joiner, *The Negative Impact of Extensions: Can Flagship Products Be Diluted?*, 62 J. OF MARKETING 19 (1998) (finding that "flagship products" are less vulnerable to negative feedback extensions than the brand itself). Some consumer psychologists have already attempted to make the leap connecting the dilution concept of the brand extension literature with the dilution injury set forth in the FTDA. *See generally* Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. OF PUBLIC POLICY & MARKETING 265 (2000). However, as discussed in § IV.A, *infra*, the two concepts cannot be neatly mapped onto one another as the law currently stands.

[180] Joan Meyers-Levy, Therese A. Louie, & Mary T. Curren, *How Does the Congruity of Brand Names Affect Evaluations of Brand Name Extensions?*, 79 J. OF APPLIED PSYCHOLOGY 46, 47 (1994).

[181] *Id.* The inability to resolve the conflict can be seen as a kind of cognitive dissonance; a mental contradiction that generates negative affective response. *See generally* Eddie Harmon-Jones, *Cognitive Dissonance and Experienced Negative Affect: Evidence that Dissonance Increases Experienced Negative Affect Even in the Absence of Aversive Consequences*, 26 PERSONALITY & SOCIAL PSYCHOLOGY BULLETIN 1490 (2000) (demonstrating that a common laboratory model for generating cognitive dissonance causes test subjects to experience negative affect). Similarly, the positive response to the ability to resolve an incongruity is consistent with that portion of cognitive dissonance theory that posits attitude change as a strategy to reduce the psychological discomfort that arises from dissonance. *See generally* Andrew J. Elliot & Patricia G. Devine, *On the Motivational Nature of Cognitive Dissonance: Dissonance as Psychological Discomfort*, 67 J. OF PERSONALITY & SOCIAL PSYCHOLOGY 382 (1994) (demonstrating a model

plays a central role, here as the expression of cognitive response to the interaction of a mark and its context. An accused mark appearing in a commercial context similar—but not identical—to that of a similar plaintiff's mark may get an affective boost from the consumer's effort to integrate the new context into their associations with the mark (with the plaintiff's mark likely receiving a similar boost). Conversely, an accused mark appearing in a commercial context irreconcirably dissimilar from that of a similar plaintiff's mark will not only likely trigger a negative affective response, it will likely cause a feedback of negative affective associations with the plaintiff's mark as used on the plaintiff's products.

<u>*3. Anchoring Bias.*</u>—Similarity of marks and proximity of markets can also affect consumer decisionmaking by triggering the anchoring-and-adjustment heuristic. Human beings often estimate values in conditions of uncertainty by starting with an initial given value (an "anchor") and then adjusting from that value to arrive at a final answer.[182] The anchor may be derived from a cue presented to the decisionmaker or self-generated in the process of searching memory for a candidate response. When we use anchors in our decisionmaking, we tend to make insufficient adjustments, leading to biases in favor of the initial anchor.[183] These biases

---

of cognitive dissonance that wherein the dissonance motivates the individual to reduce psychological discomfort by changing the attitude that generates the dissonance).

[182] *See, e.g.,* Amos Tversky & Daniel Kahneman, *Judgment Under Uncertainty: Heuristics and Biases*, in JUDGMENT UNDER UNCERTAINTY, *supra* note 10, at 14-18.

[183] *Id.* For example, in one famous study subjects were asked to estimate the percentage of African countries in the United Nations membership after watching a wheel containing numbers from one to one hundred being spun. The wheel was rigged to land either on ten or sixty-five. When the wheel landed on the lower number, subjects' mean estimate was that African countries comprised only twenty-five percent of the United Nations; when the wheel landed on the higher number, the mean estimate was forty-five percent. *Id.* at 14; *see also* Hanson & Kysar I, *supra* note 131, at 667.

manifest themselves even when we are consciously aware (a) that the anchor is irrelevant, and (b) that it may nevertheless inappropriately influence our judgment.[184]

In the typical laboratory test for anchoring effects, an arbitrary value is given to test subjects as a cue prior to a comparative judgment task. In such situations, the initial cue acts as a "prime," activating the cue and information associated with it in memory.[185] When performing a subsequent comparative judgment task, the accessibility of the activated information leads the decisionmaker to evaluate the suitability of the cue as an answer.[186] "Because people evaluate hypotheses by trying to confirm them, the comparative assessment generates information disproportionately consistent with the anchor value, thereby biasing the subsequent judgment."[187] In some response tasks where a priming cue is not given, people attempting to will "self-generate" an anchor at a starting point they believe is close to the target value, then adjust from that anchor to arrive at a response without performing any more

---

[184] See Hanson & Kysar I, *supra* note 131, at 668 ("What is striking about this demonstration is that the anchor provided to the subjects was overtly random and irrelevant, yet still it had a significant impact on the subjects' intuitive judgments." (emphasis omitted)); Gretchen B. Chapman & Eric J. Johnson, *Incorporating the Irrelevant: Anchors in Judgments of Belief and Value*, *in* HEURISTICS AND BIASES, *supra* note 10, at 120, 125 (summarizing evidence that neither warning subjects not to be influenced by the anchor nor awareness by subjects of the anchor's irrelevance could eliminate biases in favor of the anchor).

[185] Fritz Strack & Thomas Mussweiler, *Explaining the Enigmatic Anchoring Effect: Mechanisms of Selective Accessibility*, 73 J. OF PERSONALITY & SOCIAL PSYCHOLOGY 437, 444 (1997).

[186] *See* Chapman & Johnson, *supra* note 184, at 130-33.

[187] Epley & Gilovich, *supra* note 141, at 312 (internal citation omitted); *see also* Chapman & Johnson, *supra* note 184, at 133 ("[A]nchors have their effect because decision makers consider reasons why their value for the target item is like the anchor, but show relative neglect for reasons why their value for the item is unlike the anchor."). In essence, the anchoring and adjustment heuristic for externally provided anchors appears to be a species of confirmation bias. *See also* Chapman & Johnson, *supra* note 184, at 133-34 (discussing the connection between anchoring phenomena and confirmation bias).

cognitively taxing calculations.[188] Because the adjustment effort is itself taxing, it tends to cease as soon as a minimally plausible value is reached, leading to a bias in favor of the self-generated anchor.[189]

The anchoring-and-adjustment heuristic provides a mechanism for similarity of marks and proximity of markets to affect consumer decisionmaking even where the consumer is not suffering from any illusion, and even where context effects are playing only a minor role. A consumer confronted with a product bearing an unfamiliar trademark that is similar to a known trademark in the same product category may "self-generate" the known trademark as an anchor in an effort to assess the suitability of the product bearing the novel mark, rather than embarking on a far more taxing effort to educate herself about the meaning and significance of the novel mark. As a result, her response to the novel mark is likely to be biased in the direction of her response to the known mark. Conversely, where a second comer's mark is used in a commercial context different from, but still related to, that of the mark's owner, the owner's mark and product may serve as an anchor, activating associations with the mark and product in the consumer's memory, which then biases her response to the second comer's product in the direction of those associations.[190] In either case, the consumer's response to the novel mark will

---

[188] Epley & Gilovich, *supra* note 141, at 312.

[189] *Id.* at 314-15.

[190] The qualification of this hypothesis (i.e., that the commercial context of the marks be related) takes into account the previous discussion concerning the cognitive dissonance and negative affect that arises from encountering a known stimulus in a completely foreign context. *See supra* note 181 and accompanying text.

likely be closer to her response to the known mark than it would be if the two marks were completely dissimilar.

D. Consumer Care: Minimizing Illusions, Mitigating Bias.

The last proxy factor analyzed by courts in trademark cases—consumer care—can be understood as reflecting the role that attention plays in the cognitive processes described in this section. For example, the types of perceptual illusions described above often dissipate with sufficient time and attention by the reader,[191] as anyone who has ever done a quick read of a text followed by a close proofread can likely attest. In contrast, memory illusions such as the Moses Illusion seem considerably less susceptible to dissipation by increased attention.[192] The anchoring-and-adjustment heuristic also appears to be influenced by increased attention, though only in the case of self-generated anchors.[193] A decisionmaker with the time, ability, and inclination to devote increased attention and effortful thinking to her decision is able to mitigate the bias that results from the tendency to stop adjusting as soon as a plausible value is reached, largely because she continues to adjust after a decisionmaker who did not perform such additional thinking would have stopped.[194] Where an anchor is provided to the decisionmaker as a cue rather than self-generated, however, additional thinking and attention does not appear to

[191] *See*, *e.g.*, Jordan, Thomas, & Scott-Brown, *supra* note 172, at 1413.

[192] Park & Reder, *supra* note 174, at 286-87.

[193] *See generally* Epley & Gilovich, *supra* note 141.

[194] *Id.* at 315-16.

significantly affect the resulting bias, mainly because the bias in such cases is akin to a confirmation bias rather than the result of actual adjustment.[195]

In the trademark context, these effects of increased attention and care suggest that some of the effects of mark similarity and market proximity discussed above can be dissipated. Indeed, it appears that increased care can considerably mitigate the illusions and biases that arise from a subtly distorted mark, either by dissipating the illusion that causes the consumer to "see" a known mark in its stead, or by allowing her to continue to adjust her response away from the representation of the known mark she retrieved from memory. In contrast, context effects appear far more difficult to dissipate, such that a novel mark presented in the same commercial context as a similar known mark is extremely likely to bias consumer response. Similarly, where a novel mark is identical to a known mark (such that it activates memories of the mark itself rather than triggering a search of memory for similar marks), the priming effect of the mark is unlikely to be dissipated by additional attention or care.

E. Interaction of the Proxy Factors

Taken together, the aspects of cognition discussed in this section will influence consumer decisionmaking in non-rational but somewhat predictable ways. For example, where a plaintiff's mark is strong enough to trigger a positive affective response, an accused mark similar enough to create a perceptual illusion may trigger the same affective response in time- or attention-limited purchasing situations. Similarly, an identical accused mark in a different commercial context may trigger a positive affective response if the context is close enough to

[195] *Id.* at 312, 315-16; *see supra* note 187 and accompanying text.

that of the plaintiff's mark to be cognitively resolvable, such that the representation of the plaintiff's mark in memory serves as a plausible basis to form a judgment about the accused product. Notably, in this case it is unlikely that additional time or attention will dissipate the likely bias toward the affective content of the plaintiff's mark, given that the mark itself is presented as an anchor, rather than being self-generated.[196] However, as the degree of mark similarity and market proximity between the two marks decreases, it becomes far less likely that affective response to the plaintiff's mark will form a basis for the response to the accused mark. Indeed, only where the representation of the plaintiff's mark in memory is exceedingly strong (and thus very easy to call to mind) would we expect a consumer to self-generate the plaintiff's mark (and the affective content associated with it) when searching her memory for a basis to analyze an accused mark that is only marginally similar. Finally, where the commercial context of a novel accused mark is so far removed from that of an plaintiff's mark that there appears to be no way to cognitively resolve the difference between them, we would expect the consumer to have a negative affective response to the accused mark, with a moderate negative feedback effect on the plaintiff's mark.

[196] The resistance of the bias generated by identical marks to amelioration through increased care counsels for unique treatment of identical marks in liability regimes. Indeed, federal infringement law imposes stricter penalties for counterfeiting than for other types of infringement. *See* 15 U.S.C. §§ 1117(b)-(c) (establishing statutory and treble damages for counterfeiting). More to the point of this Article, as discussed in Section II.B.1, identity of marks is one of the only factors that is a reliable predictor of liability in the post-*Moseley* dilution context—another instance of judicial trademark doctrine reflecting bounded rationality. *See Moseley v. V Secret Catalogue*, 537 U.S. 418, 434 (2003); *see also supra* notes 115-120 and accompanying text.

IV. A Behavioralist Theory of Tradmark Liability

The previous Part identified a number of cognitive processes that will influence consumer responses to trademarks and explained how they are connected to the proxy factors applied by courts in setting the boundaries of trademark liability. Despite their potential to generate error and bias, the boundedly rational cognitive processes outlined in the previous Part are useful insofar as thoroughly rational approaches to purchase decisions would be grossly time-consuming and inefficient.[197] As discussed above, associative processes such as "choosing by liking" are quick and easy decisionmaking strategies that spare us the need for more cognitively taxing efforts.[198] But this conservation of effort becomes self-defeating if the speedy judgments generated by boundedly rational consumers are consistently wrong. Because consumer memories of and responses to a known trademark can influence their response to a novel mark even in the absence of any rational basis for such influence (indeed, even where the consumer knows there is no rational basis for such influence), certain novel marks are likely to lead consumers to make purchasing decisions that they would not make if they were proceeding rationally based on fuller information. Each of the proxy factors discussed above addresses a cognitive bias or susceptibility to error that makes such influence more or less probable. By

[197] That trademarks serve to lower consumer search costs is a fundamental tenet of the dominant law-and-economics model of trademark law. *See generally* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265 (1987); *see also* Brian A. Jacobs, Note, *Trademark Dilution on the Constitutional Edge*, 104 COLUM. L. REV. 161, 189-93 (2004); 1 MCCARTHY, *supra* note 14, at § 2:5, pp. 2-7 to 2-10 and sources cited therein. However, the standard economic analysis is something of an inversion of the argument of this Article: where law-and-economics scholars presume that the legal regime creates the efficiencies that justify its rules, this Article proposes that the cognitive processes of consumers are themselves the engines of efficiency, and the legal regime is constructed to harness those efficiencies while mitigating the errors that inevitably accompany them.

[198] *See supra* notes 128-130, 136-144, and accompanying text.

using the proxy factors as measures for the boundaries of trademark liability, the courts are essentially minimizing the effects of these biases and errors by proscribing and deterring the use of trademarks that cause such influence. In short, the trademark liability regime is best understood as a debiasing strategy.[199] As long as the marketplace reflects the expectations of boundedly rational consumers (for example, by requiring that products bearing identical trademarks have similar properties), the tendency of bounded rationality to introduce error and bias into consumer decisionmaking will be neutralized.[200]

Shaping the market to ensure that similarly marked products bear similar properties could be a complex undertaking involving costly regulation and inspection regimes. To avoid such complexity, the bulk of federal trademark law delegates this responsibility to manufacturers. The primary mechanism by which this delegation is accomplished is the fundamental principle of trademark law: a one-manufacturer-per-mark rule, accompanied by a private right of action. This mechanism is the pillar of the statutory trademark regime.[201] As law and economics scholars have argued, this simple mechanism gives manufacturers powerful

---

199 *Cf.* Christine Jolls & Cass R. Sunstein, *Debiasing through Law*, 35 J. LEGAL STUD. 199, 207-08 (2006) (describing product bans as an insulating strategy to eliminate the effects of optimism bias with respect to risky products). What this Article refers to as a "debiasing strategy" would likely be referred to (perhaps denigrated) by Jolls and Sunstein as an "insulating" strategy. *See id.* at 225 n.21 (distinguishing between the authors' definition of "debiasing" and "insulating" strategies, the latter of which accepts boundedly rational behavior as given and seeks to reduce or eliminate its effects on legal outcomes). No matter the label affixed to them, these strategies can be understood as legal rules and regimes that

200 *Cf.* Frederick, *supra* note 132, at 554 ("The success of using one's immediate affective response as a choice heuristic depends on how closely it corresponds to the actual value or subsequent utility.").

201 *See generally* 15 U.S.C. §§ 1051 *et seq.* (establishing trademark registers on the basis of a one-manufacturer-per-mark rule); 15 U.S.C. §§ 1114-15, 1125 (providing remedies and private rights of action in trademark cases to, *inter alia*, the trademark registrant or senior user).

incentives to produce high-quality products.[202] But the one-manufacturer-per-mark rule also has the important benefit of making it empirically more likely that similarly marked products will have similar properties, in at least two ways. First, to the extent that a common manufacturing process is likely to generate relatively consistent products as output, the one-manufacturer-per-mark rule will tend to increase the similarity of similarly marked products. Second, insofar as the incentives described by law and economics scholars are effective, manufacturers in a one-manufacturer-per-mark environment will tend to take steps to ensure the consistency of products bearing their mark (to the extent they are able to do so).

While this mechanism is a simple and elegant solution to what could be a thorny debiasing problem, standing alone it is not sufficient to prevent consumers from making decisions out of bias or error, due to the effects of the cognitive phenomena discussed in Part III. Based on that disucssion, we can expect consumer decisionmaking to be improperly influenced in two general ways, which I will characterize as *ex ante* and *point-of-sale* manipulation.[203] *Ex ante* manipulation refers to the ability of experience to alter the "affective pool" and other information associated with a mark in memory;[204] these experiences will occur in advance of the purchasing decision that is the ultimate target of trademark liability. *Point-of-sale* manipulation refers to features of the purchasing environment that influence the consumer's judgment at the

---

[202] *See supra* note 197, and sources cited therein.

[203] As should be evident from the discussion in the text, *ex ante* and point-of-sale manipulation correlate to the cognitive processes of memory encoding and memory retrieval, respectively. *See generally* Scott C. Brown & Fergus I. M. Craik, *Encoding and Retrieval of Information*, *in* THE OXFORD HANDBOOK OF MEMORY, *supra* note 157, at 93.

[204] *See supra* notes 134-135, 153-152, 166-170 and accompanying text.

time a purchasing decision is made, including everything from traditional "passing off" to the illusions, context effects, and anchoring effects discussed above.[205] A properly designed liability regime will have to address both *ex ante* and point-of-sale manipulations; the most obvious way to accomplish this is by proscribing trademark uses that generate them.

An additional layer of rules to encompass subtle trademark manipulations has historically been provided by the courts through the gradual expansion of liability described in Part I and the development of the proxy factors discussed in Part II. The fact that these doctrines developed by fits and starts, within the framework of the statutory regime and in the shadow of the historical aversion to property rights in trademarks, is likely responsible for the law's preoccupation with the relationship between mark and maker, as well as the battle in dilution theory between uniqueness (an *ex ante* concern) and free-riding (a point-of-sale concern). The result is a timid and confused doctrinal structure that aims somewhat to the side of the manipulations that it should be targeting directly. The remainder of this Article will explore the ways in which the species of liability described in Part II approximate (or fail to approximate) the point-of-sale and *ex ante* manipulations that trademark law should be designed to prevent. Bringing the discussion of Part III to bear on the disparities between current doctrine and the doctrines implied by behavioralist analysis, a way out of the dilution dilemma can be seen. Further, because strict adherence to a behavioralist model of trademark liability has the potential to greatly broaden the scope of such liability, this Article closes with an analysis of policy objections that may be raised by the model.

---

[205] *See supra* §§ III.C-D.

A. Understanding the Species of Liability

Set against a background rule of one-manufacturer-per-mark, analysis of the cognitive phenomena described in Part III provides a sufficient basis for setting the boundaries of trademark liability in such a way as to prevent most if not all of the manipulations of consumer decisionmaking a trademark can cause. The discussion in Part III makes clear how such manipulations operate; the fact that they correlate to the proxy factors developed by the courts suggests that the federal trademark regime captures (or has the capacity to capture) most of the harms at issue in trademark cases. But by casting their decisions as assessments of consumer beliefs as to the relationship between mark and maker, courts add a needless layer of complexity to the analysis,[206] weakening the justifications for liability and generating distracting and counter-productive policy debates such as those currently wracking dilution law. By casting off the historical tethers that link liability to such consumer beliefs, and tying it instead to consumer reactions to a mark itself, Congress and the courts could shift focus from circular policy debates about the purpose of the trademark regime to more productive efforts to calibrate the regime's effects on the marketplace.

The various species of liability outlined in Part II of this Article are poor substitutes for a direct assessment of consumers' affective responses to trademarks. They serve mainly to provide a rationally describable justification for the imposition of liability that is in fact based on boundedly rational behavior. A brief comparison of two sub-species of infringement will demonstrate how this effort to say one thing while doing another leads to

[206] The legal fiction of the anonymous source is perhaps the clearest manifestation of the wasteful complexity of trademark law's obsession with legal history. *See supra* note 62 and accompanying text. This Section will explore additional examples of such formalist inefficiency.

unnecessary complexity. The most basic and longest recognized form of liability—for infringement based on point-of-sale confusion[207]—can be easily described in terms of the cognitive processes outlined in Part III. An accused mark that—by virtue of cognitive illusions, context effects, and anchoring bias—is likely at the point of sale to lead to a purchase decision influenced by consumers' affective reactions to someone else's mark is precisely the type of use courts are likely to find infringing when they apply the proxy factors. This is the quintessential form of point-of-sale manipulation: a consumer's response to a known mark is invoked and manipulated through non-rational cognitive processes, leading to a purchase decision that the consumer would not have made otherwise.

The purportedly distinct doctrine of initial-interest confusion[208] is nothing more than a special case of this general phenomenon, one dominated by anchoring effects. Where a novel mark generates a fleeting perceptual illusion that is dissipated by consumer attention, or triggers the recall of a similar known mark, anchoring effects can continue to bias the affective response to the mark in the direction of the illusory or recalled image—which explains why courts will impose liability against the users of such marks where the anchor is already used as another's trademark. That a consumer is not confused as to the affiliation, connection, or association of the product's manufacturer or the origin, sponsorship, or approval of the product at the time of sale is considered no barrier to liability in initial-interest cases.[209] This fact strongly supports the hypothesis of this Article, that what courts are really measuring in infringement

[207] *See supra* note 65 and accompanying text.

[208] *See supra* note 66 and accompanying text.

[209] *See supra* note 66 and sources cited therein.

cases isn't confusion at all. Absent confusion at the time of sale, it is only the bias generated by anchoring effects that justifies this class of trademark liability. And notably, this bias poses precisely the same risk as point-of-sale confusion: that the consumer will make a purchase decision she would not otherwise make as a result of her boundedly rational reaction to a trademark. By attempting to explain such bias in terms of confusion as defined under the Lanham Act, rather than as a function of bounded rationality, the courts substitute a rationally tractable but descriptively misleading theory of harm for a more descriptive theory that challenges the historical foundations and taxonomies of trademark law. The result is an unpersuasive, needlessly complex, formalist doctrinal architecture that weakens the justifications for imposing liability.

One might be tempted, based on the prior two examples, to believe that the descriptive shortcomings of current doctrine could be ameliorated by assuming that infringement represents point-of-sale manipulation, and dilution—with its overt concern for the *prospective* source-identifying capacity of a plaintiff's mark—must therefore represent *ex ante* manipulation. This would, unfortunately, be an oversimplification. One barrier to this neat division of doctrines is the fact that in every point-of-sale manipulation lies the seed of an *ex ante* manipulation. When a consumer makes a purchase decision based on bias or error an injury surely occurs, but the consumer's experience with the purchased product will itself influence her future judgment.[210] To the extent the experience is inconsistent with the properties of the mark owner's actual products, her future decisions will be improperly biased by the results of her

[210] *See supra* notes 134-135, 166-167 and accompanying text.

earlier purchase decision. Generalizing this dynamic to the market at large, there is an obvious potential for *ex ante* and point-of-sale manipulations to feed on each other, snowballing to the point where trademarks become completely unreliable as a basis for consumer decisionmaking.

The doctrine of post-sale confusion illustrates current doctrine's inability to address the dual and self-reinforcing nature of trademark manipulation. This class of liability, based on the influence on *future* purchasers of other consumers' possession of products bearing an accused mark,[211] would appear to be a form of *ex ante* manipulation. It is not the immediate effect of the encounter with an accused mark, but the effect of this encounter on a consumer's future decisionmaking, that liability for post-sale confusion ostensibly seeks to curtail. However, one could just as easily argue that post-sale confusion constitutes a point-of-sale manipulation, albeit one that cannot be plausibly explained in terms of consumer beliefs about the connection between mark and maker. The fact that the cases describing post-sale confusion generally deal with "knock-offs" of luxury or status goods suggests that it is the affective response to the status conveyed by the mark that leads consumers to decide to purchase the accused goods.[212] This being the case, the decision to purchase a knock-off can be understood as an anchoring

[211] *See supra* note 67 and accompanying text.

[212] *See supra* note 67 and sources cited therein. As Professor Beebe notes:

> [F]irms produce trademarks as status goods, …consumers consume trademarks to signal status, and …courts routinely invest trademarks with legal protection in an effort to preserve this status-signaling function. The culture industries—and what industries aren't?—have long sold trademarks as commodities in their own right. Entire areas of trademark doctrine cannot be understood except as systems of rules designed to facilitate the commodification—indeed, the "industrial production"—of social distinction.

Beebe, *supra* note 61, at 624 (footnote omitted).

phenomenon functionally indistinguishable from initial-interest confusion. Indeed, the only real difference between the two scenarios is the lack of any plausible basis to claim that there was even an instant where the consumer in the post-sale confusion scenario was "confused" as defined under the Lanham Act. In short, courts parsing these three species of infringement[213] have wasted considerable effort attempting to invent strained and divergent justifications for liability against what are in fact minor variations of precisely the same phenomenon. Again, the law's preoccupation with the mark/maker nexus obscures the harms at issue in trademark cases, weakening the justifications for imposing liability.

The interrelationship of point-of-sale and *ex ante* manipulations, and the concomitant impossibility of neatly assigning the former to infringement doctrine and the latter to dilution doctrine, is also largely responsible for the crippling theoretical debates that have brought federal dilution law to its current state of indeterminacy. Originally conceived as a way

[213] This discussion omits the fourth and final infringement theory—reverse confusion—not because the theory is incompatible with the behavioralist model, but because reverse confusion is a special case where administrability concerns trump the policy of using bounded rationality to streamline consumer decisionmaking. At first blush, the concept of reverse confusion would seem to challenge this Article's contention that trademark liability exists to harness the affect-driven bounded rationality of consumers; after all, the doctrine proscribes use of a trademark that generates a strong affective response in favor of one that does not (or at least, does so to a lesser degree). *See supra* note 68 and accompanying text. But rather than engage in a complex and costly fight over which manufacturer's use of a mark generates the strongest affective response, trademark law imposes a bright-line rule of priority-in-time (combined with the notice system of the Federal Register) to avoid such disputes entirely. *See generally* 15 U.S.C. §§ 1051 *et seq*. (establishing the Principal and Supplemental Trademark Registers and the procedures for their operation); *cf.* Pierre Schlag, *Rules and Standards*, 33 UCLA L. REV. 379, 387-88 (1985) (outlining generic arguments for and against bright-line notice rules in legal systems such as property law). Like all bright-line rules, the priority-in-time rule in trademark law will invariably lead to undesirable results at the margins (such as the proscription of a mark that eases consumer decisionmaking), but this may be deemed an acceptable exchange for the increased administrability of the system as a whole.

to extend trademark rights outside the immediate commercial sphere of their owner's use,[214] dilution can be seen as an obsolete gap-filling measure, capturing point-of-sale manipulations that went unremedied under the infringement doctrine of Schechter's day but are now subsumed within the broadened infringement provisions of the modern Lanham Act.[215] Yet owing to the antipathy of contemporary doctrine to such broad trademark rights, the original enunciation of dilution theory under the rubric of uniqueness was directed at *ex ante* concerns, despite its author's apparent concern for point-of-sale manipulations associated with free-riding.[216] It is precisely the dual nature of trademark harms—the tendency of *ex ante* manipulations to ripen into point-of-sale ones, and vice versa, in a self-amplifying loop—that allowed Schechter to carry out this theoretical *pas de deux*—one which is being repeated today in the clashes between Congress and the courts.[217] The behavioralist model has the potential to liberate trademark doctrine from this dilemma, by accounting for the interconnectedness of all forms of trademark liability.

Taking as an example the standard dilution-by-blurring scenario of a famous mark being used by a second comer in a commercial context far removed from that of its owner, the discussion of Part III suggests that the second comer's product will receive an affective boost where the commercial contexts are related enough to be cognitively resolvable, but will generate

---

[214] *See supra* notes 24-37 and accompanying text.

[215] *See supra* notes 40-50 and accompanying text.

[216] *See supra* notes 38-39 and accompanying text.

[217] *See supra* notes 3-7, 112-114 and accompanying text.

negative affect where the commercial contexts are too far removed for such resolution.[218] This effect suggests an explanation for the earlier observation that the policies of infringement and free-riding theories of dilution are identical.[219] In cases where the commercial context of an accused mark is close enough to that of the plaintiff's mark to generate a positive affective response, infringement and free-riding dilution will be functionally indistinguishable. Both species of liability proscribe trademark uses in which a novel mark triggers a more positive affective response than it otherwise would due to its similarity to a known mark; the cognitive phenomena that generate such a bias provide a single basis for liability under infringement doctrine and under free-riding theories of dilution. It may be that Congress believes modern infringement doctrine is underinclusive with respect to this type of point-of-sale manipulation, just as the underinclusiveness of the "same descriptive properties" standard led Schechter to propose the dilution remedy in the first place. But the legislative decision to remedy this shortcoming by promulgating an almost entirely redundant remedy that by its terms only obliquely addresses the targeted conduct,[220] rather than expanding the scope of the existing remedy, has generated unnecessary confusion and further confused the justifications for trademark liability.

Just as the free-riding theory of dilution parallels the point-of-sale manipulations of infringement, the uniqueness theory of dilution could be understood as a foil for infringement's *ex ante* aspects—the pollution of the affective pool and associative networks

[218] *See supra* notes 178-181 and accompanying text.

[219] *See supra* notes 114-115 and accompanying text.

[220] *See supra* notes 54-60, 113-114 and accompanying text.

surrounding the plaintiff's mark with associations that bear no empirical relationship to the plaintiff's products.[221] Were this the case, we could consider the two doctrines entirely redundant. But there is another *ex ante* effect that uniqueness-based dilution—by both blurring and tarnishment—can create. This effect arises from the negative affective feedback that accrues to a familiar mark when consumers encounter the mark in a cognitively unresolvable context.[222] Such reactions fall outside of the manipulations identified with infringement—the latter arising in contexts that lend themselves to cognitive resolution—yet have the potential to cause consumers to make decisions they would not otherwise make with respect to the senior user's products in future purchasing scenarios by altering affective associations with the senior user's mark. However, we have seen that the negative feedback effect on the known mark is likely to be less significant than the negative affective response that will accrue to the novel mark as a result of the contextual incompatibility.[223] In other words, where a diluting use cannot also be described as infringing by virtue of its point-of-sale effects, it is likely to be an unsuccessful marketing strategy. Given that such uses are the antithesis of free-riding, and actually harm the second comer's prospects in the marketplace, one would expect them to be extremely rare, more likely based on coincidence or ignorance of the senior user's mark than any project to manipulate

[221] *See supra* note 210 and accompanying text.

[222] *See supra* notes 179-181 and accompanying text. For most well-known marks, the typical tarnishing contexts of sexual activity and drug use will generally be cognitively unresolvable, suggesting that tarnishment is merely a special case of the more general *ex ante* manipulation of uniqueness-theory blurring. *See supra* note 127 and accompanying text (describing the typical association of tarnishment with drugs and sexual activity).

[223] *See supra* notes 178-181 and accompanying text.

consumer reactions to it.[224] Yet such manipulation appears to be the only justification for a distinct legal remedy based on the uniqueness theory of dilution that is not already encompassed by other theories.

In sum, the species of liability that exist under current trademark law are largely redundant. Because of the law's focus on consumer beliefs about the connection between mark and maker, rather than their automatic cognitive reactions to trademarks, courts have proposed multiple unpersuasive models in an effort to explain relatively minor variations in certain cognitive processes. These processes are susceptible to two broad classes of manipulation: point-of-sale manipulations, which influence the consumer's judgment at the time a purchasing decision is made, and *ex ante* manipulations, which influence consumer memories and associations in advance of a purchasing decision. Neither category can be clearly mapped to any current theory of trademark liability, though the tools for detecting and analyzing them exist in the proxy factors developed by the courts for analyzing all species of trademark liability. The discussion in this section suggests that current conceptions of infringement may be underinclusive to the extent that a dilution remedy is seen as necessary to correct free-riding problems, while the prevailing uniqueness-based conception of dilution provides a unique

[224] The rarity of such manipulations is further suggested by the unlikelihood that a consumer would independently recall a known mark a commercial context far enough removed from its typical context that the distance would generate unresolvable cognitive dissonance resulting in negative affective response. Given the low baseline probability of such recall, and taking into account earlier discussions about the unique anchoring effects attributable to identical marks, we would expect the type of *ex ante* manipulation discussed in this paragraph to manifest itself only where the known mark is extremely strong and perceptually indistinguishable from the novel mark—which is consistent with the Supreme Court's holding in *Moseley*. *Compare supra* notes 190-196 and accompanying text (discussing the unique cognitive effects of identical marks); *with Moseley v. V Secret Catalogue*, 537 U.S. 418, 434 (2003) (noting the strong probative value of identical marks in dilution cases).

remedy only for a very small class of trademark harms. This discussion would therefore counsel for a conscious reconsideration of the justifications for trademark liability, with an eye to expanding the role of infringement and contracting the role of dilution.

B. Policy Objections

The suggestion that any species of trademark liability be expanded is likely to give pause to those who argue that current trademark rights are already too broad. In particular, the expansion of liability would invariably dredge up hoary concerns about the granting of "in gross" property rights in trademarks.[225] As described in the previous section, however, trademark rights are not properly understood as proprietary. Rather, the trademark owner's right is best understood as a private right of action designed to enforce the systemic market regulation necessary to harness the efficiencies of boundedly rational consumer decisionmaking, assigned to the party in the system with the greatest incentive to monitor the market for behaviors that might generate consumer bias or error. That such systemic regulation may resemble a system of property rights in some of its results does not render the right proprietary; to the contrary, the dependence of enforcement on the boundedly rational thought processes of consumers places trademark rights in a state of constant flux, eternally contingent on the changing commercial environment and the minds of the consumers who fill it.[226]

---

[225] *See supra* notes 12-29 and accompanying text.

[226] *See* Beebe, *supra* note 166, at 2022 ("Trademark law is arguably the most difficult of the intellectual property laws to contemplate, and its outcomes when applied to facts are the most difficult to predict. This is because it requires…the capability…to think *through* the consumer and see the marketplace only as the consumer sees it." (footnotes omitted))

Even accepting the non-proprietary nature of the trademark right, one might object that the scope of trademark liability outlined in this article, dependent as it is on particularly pliable features of human cognition, has no meaningful limits and could be expanded to a degree that severely limits commercial freedom. For example, by expanding the scope of liability to aggressively reduce error and bias, the law redistributes power in the marketplace from consumers to producers, reducing consumer autonomy.[227] This is a particularly troubling step when we consider that bounded rationality varies across the population, implying that some of the consumers whose autonomy is restricted by law receive little or no benefit from the law's more muscular protections.[228] Expansive trademark liability can also injure producers and the market as a whole, by contributing to a scarcity of useful marks and thereby raising barriers to entry and generating monopolistic or rent-seeking behavior.[229]

One possible answer to these substantial concerns lies in the administration of a trademark system consciously designed to address bounded rationality. Because the cognitive processes discussed in this article are not susceptible to deductive reasoning, leaving their application to judges is not a particularly reliable method for achieving the law's goal of

---

[227] *Cf. id.* at 2066-69 (arguing that the expansion of trademark liability is an self-perpetuating phenomenon in which producers assume consumer search costs in exchange for the concomitant ability to exert a stronger persuasive influence over the consumer).

[228] *See* Jolls & Sunstein, *supra* note 199, at 226 ("In responding to problems of bounded rationality, it is preferable, when possible, to develop legal approaches that avoid imposing significant costs on those who do not engage in boundedly rational behavior." (internal citation omitted)).

[229] *Cf.* Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L. J. 759, 768-75 (1990) (outlining the problem of scarcity of useful trademarks); Landes & Posner, *supra* note 197, at 289-92 (discussing the interrelationship of elasticity of supply of trademarks and the ability of early market entrants to extract rents).

proscribing trademark uses that generate bias and error in consumer decisionmaking. Judges are just as susceptible to bounded rationality in adjudication as consumers are in their purchasing decisions.[230] Moreover, the lack of a rational basis for the cognitive phenomena described in this Article suggests that they are best measured empirically rather than deductively, and a district judge hearing an application for an injunction in a trademark dispute is a statistical sample of one. As a result, it seems that in all but the most clear-cut cases, trademark plaintiffs should bear the burden of providing an empirical basis for their claims, which would likely take the form of consumer surveys. For example, point-of-sale manipulations would likely be measured by consumer surveys of the type courts have become familiar with through experience with Lanham Act cases,[231] perhaps with a greater focus on controlled experiments simulating actual purchasing decisions rather than the traditional model of stimulus presentation followed by batteries of interrogatories. *Ex ante* manipulations, in contrast, would likely require development of new and different types of consumer surveys, perhaps incorporating longitudinal studies that might in turn become routine parts of trademark enforcement programs.

Even a heavy empirical burden on trademark plaintiffs will not necessarily alleviate all the problems of scarcity and diminished consumer autonomy threatened by the expansive theories of liability set forth in this Article. However, the courts have many prudential doctrines at their disposal that can act as a pressure-release valve on the self-perpetuating engine

---

[230] *See* Beebe, *supra* note 95, at 19-20 (describing judicial use of heuristics to circumvent the multi-factor analyses of trademark doctrine).

[231] *See, e.g.*, Shari Seidman Diamond, *Reference Guide on Survey Research*, *in* FEDERAL JUDICIAL CENTER, REFERENCE MANUAL ON SCIENTIFIC EVIDENCE 229, 235 (2d ed. 2000) (noting the routine use of survey evidence in Lanham Act cases).

of liability. For example, the doctrines of genericness[232] and functionality[233] allow courts to deny enforcement of trademark rights the assertion of which would put the owner's competitors—or the market in general—at a disadvantage due to problems of scarcity. These prudential doctrines, unlike the cognitive phenomena that are the primary focus of this Article, do not necessarily require rigorous empirical analysis; finding a balance between conflicting policy imperatives on a case-by-case basis is a task to which courts are well accustomed.

Finally, while trademark law enjoins persons other than the mark owner from manipulating consumer reactions to a trademark, it leaves the full range of such manipulations open to the mark owner for exploitation. For example, a mark owner might pursue an advertising campaign based on overwhelming repetition or affective imagery, generating positive consumer responses that have little or nothing to do with their experience with the mark owner's product.[234] Likewise, a mark owner could "leverage" the affective reaction to her mark by means of a brand-extension strategy such as those described in Section III.C.2 above. When properly calibrated, such a strategy could generate positive affective reactions to a new trademark or product without any empirical basis for such reactions in consumer experience or in the realities of production. Generalizing this potential even further, the broad array of

---

[232] *See supra* note 146 and accompanying text.

[233] *See, e.g.*, *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (holding that a product feature cannot serve as a trademark "if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage"); *Wallace Int'l Silversmiths v. Godinger*, 916 F.2d 76, 81 (2d Cir. 1990) (noting that a trademark will not be enforced where liability "would significantly hinder competition by limiting the range of adequate alternative designs").

[234] *See supra* notes 131-135, 163-165, 168-170 and accompanying text.

manipulations to which licensing schemes lend themselves have still greater potential to divorce the affective response to a mark from the empirical realities of products bearing that mark.[235] While remedies against false advertising[236] and doctrines such as the prohibition against "naked licensing"[237] suggest potential tools to mitigate such abuse, a behavioralist understanding of trademark liability implies a range of targets for regulation, some of which may implicate serious First Amendment and other concerns, and all of which require delicate balancing of harms, benefits, and normative commitments.[238]

CONCLUSION

This Article has attempted to make the case for a reconception of trademark liability as a debiasing strategy. By drawing parallels between the organically evolving doctrines of trademark law and the cognitive predicates of bounded rationality, it has suggested a model of liability that uses existing doctrinal tools to illustrate the potential for a robust legal regime that would shed the most disingenuous justifications on which liability now rests, while providing protection against all conceivable trademark injuries. To be sure, such a reconception of

---

[235] *See*, *e.g.*, Beebe et al., *supra* note 5, at 863-66 (providing an overview of the commercial popularity and success of extensive trademark licensing).

[236] *See generally* Jean Wegman Burns, *Confused Jurisprudence: False Advertising under the Lanham Act*, 79 B. U. L. REV. 807 (1999) (charting the development and shortcomings of false advertising remedies under the Lanham Act).

[237] *See* Rudolph J. Kuss, *Naked Licensing Doctrine Exposed: How Courts Interpret the Lanham Act to Require Licensors to Police Their Licensees & Why This Requirement Conflicts with Modern Licensing Realities & the Goals of Trademark*, 9 MARQ. INTELL. PROP. L. REV. 361, 362-71 (2005) (providing an overview of naked licensing doctrine).

[238] Such regulatory targets and their analysis are beyond the scope of the present article, but could include the marketing of generic products, comparative advertising, and indeed advertising in general. The normative objections to heavy regulation in these areas, as in many areas where heuristics play a role, are extremely strong. *Cf.* Jolls & Sunstein, *supra* note 199, at 225-34.

trademark liability poses particular challenges, notably of administration and market manipulation. But it is the premise of this Article that law functions best when it takes an honest view of its subject—the boundedly rational human—and uses that subject as the measuring stick for doctrine, adapting its methods to achieve the most desirable results. In this respect, a behavioralist model of trademark liability has the potential to not only protect the boundedly rational actor from bias and error, but to harness her cognitive quirks for her own benefit and the benefit of the market as a whole.